

THE MAGAZINE OF WALL STREET

PERIODICAL ROOM
GENERAL LIBRARY
UNIV. OF MICH

SEPTEMBER 19, 1931

Does Business Wait On Banking Courage?

By LAURENCE STERN



How Far Can This Market Go?

By A. T. MILLER



Oil Industry At the Crossroads

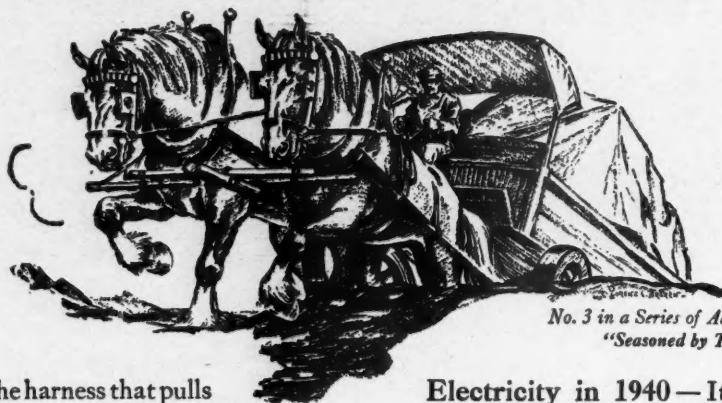
By NICHOLAS T. CALHOUN

G. Wyckoff
PUBLISHER

VOL. 48 - No. 11

PRICE 35 CENTS

The Horse—not the Harness



No. 3 in a Series of Advertisements,
"Seasoned by Time"

IT'S not the harness that pulls the wagon . . . it's the horse. It's not the tanks and turbines, pipes and poles that make a utility system . . . it's the Men.

Thirty-three men who are the chief executives of the Associated System average 25 years in service. They were seasoned in the quarter century that saw the phenomenal rise of the electric industry, the rejuvenation of the gas industry, and the development of the holding company that did much to make both these possible.

Mature Management

Seven of this group of 33 have served more than 30 years . . . 28 more than 20 years. There are in addition 283 major executives who have averaged 16 years in System service. These men direct the activities of the 14,600 Associated employees.

Both gas and electricity face years of expansion that will need the direction of this type of mature management.

Electricity in 1940—It is estimated that by 1940 electric output will increase 85%; gross revenues from light and power, 59%. Television, railroad electrification, air conditioning and the electron tube are among fields for expansion. Some believe the electric utilities will be the next major industry to lead America through a new cycle of prosperity.

Gas for heating—Development of gas for heating promises further accomplishment for this industry that produced more gas during the past decade than during the preceding century. Heating homes, heating water, and new uses for industrial heating offer outstanding growth possibilities. Research projects under way include utilization of gas for cooling homes and buildings in summer.

The Associated System, which serves 1,432,108 customers in 3,117 communities, is prepared by policies of long-term management to participate in the years of growth ahead.

For information about Associated System facilities, service, rates, etc., write

Associated Gas and Electric System

61 Broadway



New York City

TO RECOVER YOUR ORIGINAL INVESTMENT CAPITAL

CONSIDER THESE SEVEN FEATURES

The Investment Service has seven unusual and valuable features, which make this service an essentially practical one. This service is:—

PERSONALIZED

Each subscriber's account is treated individually. All recommendations are based on the subscriber's personal requirements. There are no "blanket" recommendations.

COMPREHENSIVE

The service covers all types of securities—bonds, common stocks, and preferred stocks.

CONFIDENTIAL

The affairs of every subscriber are held in the strictest confidence. This is guaranteed by the integrity and high business standards of THE MAGAZINE OF WALL STREET.

CONTINUOUS

The service supervises each subscriber's holdings continuously so that no development can take place unknown to the service directors. Recommendations are made at the time when they will be of greatest value, and subscribers are not obliged to consult the service in order to obtain these recommendations.

AUTHORITATIVE

The directors of the service are experts who have been hand picked from THE MAGAZINE OF WALL STREET staff for their known ability to render valuable investment advice.

RELIABLE

THE MAGAZINE OF WALL STREET is an outstanding authority in judging security values, and its reputation in this respect assures the reliability of the service.

UNBIASED

The Investment Management Service has no securities to sell and holds no brief for any particular investment.

The present business and financial situation offers you an opportunity—which may not be equalled for years to come—to recover investment losses and make substantial profits as well. But you must act wisely—and promptly.

There are many companies whose securities are today definitely under-priced—but not all issues deserve this rating. Some which were formerly well situated do not show prospects of early or sustained recovery. If you are to derive maximum investment profits you must choose carefully and buy at the proper time.

The Investment Management Service will assist you in making your present portfolio the basis of a profitable campaign, and through the daily supervision of your holdings by investment specialists it will permit you to always keep your funds most profitably employed—consistent with safety and conservative investment procedure. This service differs from the usual advisory service with which you may be familiar—for it is a personal form of counsel adapted to exactly fit each client's specific needs. The cost is moderate—and you do not require new capital to derive full benefits.

If you will send us a list of your present security holdings we will be glad to outline the specific application of our counsel in your case and to advise you regarding the cost of our guidance. Send in the coupon below and be sure to give us all of the data requested.

INVESTMENT MANAGEMENT SERVICE

A Division of The Magazine of Wall Street

FORTY-TWO BROADWAY

NEW YORK, N. Y.

Investment Management Service
42 Broadway, New York, N. Y.

9-19-31

Gentlemen:

I am enclosing herewith my list of holdings. Kindly study this list and tell me, by mail, how your service would help me solve my investment problems. Also send me your booklet and the minimum cost of service on my account. This places me under no obligation.

Name

Address

City and State

My present investment capital, in addition to the securities listed, is approximately \$.....



AUBURN

NEW
STRAIGHT EIGHT
 5 passenger 2-Door Brougham
 New 127" Wheelbase Chassis

CUSTOM MODEL
 Including Free Wheeling

\$1145

Also **STANDARD MODEL**

\$945

f. o. b. Connersville, Ind.
 Equipment other than standard at extra cost
AUBURN AUTOMOBILE CO., AUBURN, IND.
 Prices Subject to Change Without Notice.

Member of the Audit Bureau of Circulations

CONTENTS

Vol. 48 No. 11

September 19, 1931

The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, and the Investment and Business Forecast, issued weekly

INVESTMENT AND BUSINESS TREND	693
Taking the Pulse of Business.....	695
How Far Can This Market Go? By A. T. Miller.....	696
The Dynamite in the English Situation. By Henry Richmond, Jr.....	698
Does Business Wait on Banking Courage? By Laurence Stern.....	701
Oil Industry at the Crossroads. By Nicholas T. Calhoun.....	703
Capitalizing Ingenuity. By Ward Gates.....	706
Foreign Bonds Are Homeward Bound. By George E. Anderson.....	708
Things to Think About.....	710

BONDS

Southern Pacific Co., Oregon Lines 1st "A" 4½s, 1977. By Ronald P. Hartwell.....	712
Bond Buyers' Guide.....	713

PUBLIC UTILITIES

United Light & Power "A". By Francis C. Fullerton.....	714
Bank Stocks for Long Pull Investments. By J. C. Clifford.....	716

INDUSTRIALS

Low-Price Dividend Payers of Investment Merit:

Louisville Gas & Electric Co.	718
Socony-Vacuum Corp.	718
Pillsbury Flour Mills, Inc.	719
Burroughs Adding Machine Co.	719
Waldorf System, Inc.	720
McCrorry Stores Corp.	720

Additional Dividend-Paying Stocks of Low Price.....	721
Air Reduction. By Thomas R. Needham.....	722
For Profit and Income. Market Indicators. The Stockholder.....	724

READERS' FORUM

Short Selling. By John Durand.....	726
Is It Possible to Control the Business Cycle?.....	728
Low Margin Requirements Are a Favorable Indication.....	729

TRADE TENDENCIES

Business Registers Few Gains.....	730
The Magazine of Wall Street's Indicators. Business Indexes. Common Stock Price Index.....	731

ANSWERS TO INQUIRIES

New York Stock Exchange Price Range of Active Stocks.....	734
Securities Analyzed, Rated and Mentioned in This Issue.....	737
Important Corporation Meetings.....	737
New York Curb Exchange.....	740
Market Statistics.....	741
Over-the-Counter.....	742
Preferred Stock Guide.....	744
"Tips" on Books.....	747
Important Dividend Announcements.....	750

Copyright and published by the Ticker Publishing Co., Inc., 42 Broadway, New York, N. Y. C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice President and Managing Editor. W. Sheridan Kane, Secretary. Thomas F. Blissert, Financial Advertising Manager. George R. Myers, Director of General Advertising. The information herein is obtained from reliable sources and while not guaranteed, we believe it to be accurate. Single copies on newsstands in U. S. and Canada 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

ADVERTISING REPRESENTATIVES—Atlanta, A. E. Christoffers, Walton Building; Pacific Coast, Simpson-Reilly, Union Oil Bldg., Los Angeles; Russ Building, San Francisco.

SUBSCRIPTION PRICE—\$7.50 a year in advance. Foreign and Canadian \$8.50. Please send International money order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full, and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.



H. M. Byllesby and Co.

INCORPORATED

UNDERWRITERS, WHOLESALERS AND
RETAILERS OF INVESTMENT SECURITIES
... SPECIALISTS IN PUBLIC UTILITIES

CHICAGO 231 SO. LA SALLE ST.

NEW YORK 111 BROADWAY

BOSTON • PHILADELPHIA • PITTSBURGH • PROVIDENCE • DETROIT • CLEVELAND

MINNEAPOLIS • ST. PAUL • MILWAUKEE • ST. LOUIS • DES MOINES • KANSAS CITY

DIRECT PRIVATE WIRES • • • CHICAGO • NEW YORK • BOSTON • PHILADELPHIA

Telephone Bond and Share Company

Kansas City, Missouri

The regular quarterly dividends of \$1.75 per share on the 1% First Preferred Stock, \$1.00 per share on the Participating Preferred Stock and dividends on the Class A Common Stock payable either in stock at the rate of one-fiftieth (1/50th) of one share or in cash at the rate of 50c per share, will be paid on October 15, 1931.

Extra and participating dividends amounting to \$1.00 per share will also be paid on the Participating Preferred Stock on October 15, 1931.

An extra cash dividend of 25c per share will also be paid on the Class A Common Stock on October 15, 1931.

The dividends on the First Preferred and Participating Preferred Stocks will be paid to the stockholders of record on September 25, 1931.

The dividends on the Class A Common Stock will be paid to the stockholders of record on September 21, 1931.

V. E. CHANEY,
Vice President and Treasurer.

Large or Small Orders

executed with the same courtesy and careful attention. We have a special department for Odd Lots

[10 share orders accepted on margin]

Helpful booklet MG on Trading Methods sent free on request

HISHOLM & CHAPMAN

Members New York Stock Exchange
Members New York Curb Exchange
52 Broadway New York

Dividend Notice

Pacific Lighting Corporation Common Stock; Dividend No. 88, payable August 15, 1931, to stockholders of record July 20, 1931.

Pacific Lighting Corporation \$6 Dividend Preferred Stock; Dividend No. 96, payable July 15, 1931, to stockholders of record June 30, 1931.

PACIFIC LIGHTING CORPORATION



DIVIDENDS OF SUBSIDIARY COMPANIES:

Southern California

Gas Corporation

\$6.50 Dividend Preferred Stock; dividend payable August 31, 1931, to stockholders of record July 31, 1931.

Los Angeles Gas and

Electric Corporation

6% Preferred Stock; dividend payable July 15, 1931, to stockholders of record July 1, 1931.

Southern California Gas Company

6% Preferred Stock; dividend payable July 15, 1931, to stockholders of record June 30, 1931.

Southern Counties Gas

Company of California

6% Preferred Stock; dividend payable July 15, 1931, to stockholders of record June 30, 1931.

Unifying the following companies [together with the Santa Maria Gas Co.] to form a compact and completely interconnected utility system, for economy of operation and of supplying capital for extensions and improvements. The Pacific Lighting group, established in 1886, supplies natural gas throughout the major portion of Southern California and both natural gas and electricity in the city of Los Angeles, serving 976,000 customers.

Dividends on all of the foregoing issues have been paid uninterruptedly since the initial dividend.

PACIFIC LIGHTING CORPORATION, 433 CALIFORNIA STREET, SAN FRANCISCO

Over 1600 Securities

Earnings, 1929-30-31—Price Range—Current Comment —Investment Rating

Revised monthly giving you at a glance essential facts
and up-to-date data for checking security values.

The MAGAZINE OF WALL STREET's Monthly "Adjustable Stock Ratings" keeps you posted on current developments and investment outlook for every New York Stock Exchange Security, important Curb Market Securities and Bank and Insurance Stocks.

Our monthly "Adjustable Stock Ratings" will be of inestimable help to all subscribers to THE MAGAZINE OF WALL STREET in keeping up-to-date on all securities in which they may be interested and in checking changes in the outlook for securities previously purchased.

Now, more than ever with business turning the corner, you will want the guidance of THE MAGAZINE OF WALL STREET supplemented by our "Adjustable Stock Ratings" so that you can—

- Avoid companies not likely to recover.
- See at a glance any danger signals on previous purchases.
- Know what industries are progressing—which are declining.
- Know what companies offer the soundest profit possibilities.
- Have all the essential facts all the time.

Original Methods

Our Ratings show both the outlook for the industry and the position of the security in that industry, whether good or bad, enabling you at all times to have the expert advice of our experienced business and security analysts. Before buying or selling any security consult these ratings. Business conditions naturally change and our ratings for any particular stock may change at any time. Investors should check our ratings each month to see if a change has taken place in the outlook for their holdings.

Our Comments are changed frequently, keeping you up-to-the-minute on new developments likely to affect prices.

Our Conclusions are based on intensive analyses of the combined fundamentals for each security—plus the current technical position and future outlook for the general market.

Special Advantages

- Handy Pocket Size.
- For your convenience in quickly locating any Company, all the stocks, whether New York Stock Exchange or Curb, are arranged in one alphabetical list, marked with an "N" or "C."
- Numbered lines and special division markers enable you to get all the essential data at a glance.
- The Industry the Security represents—and other special industrial activities are shown, as these are of prime importance in judging the future of a company.
- Statistical Data:—You will find the important statistics so essential in judging and keeping track of your company—earnings—price range—dividend information—funded debt—shares outstanding—ticker symbols, and latest interim earnings available.

Assembled in concise form, this booklet gives you—at a glance—information absolutely necessary to every investor. These "Adjustable Stock Ratings," in combination with THE MAGAZINE OF WALL STREET, make an unequalled investment service that should enable you to keep your funds profitably placed in sound issues at all times.

Special Combination Offer

The Magazine of Wall Street—Rating Book

For a limited time we offer THE MAGAZINE OF WALL STREET for one year, including full consultation privileges of our Personal Service Department, (regular price \$7.50) and the Monthly "Adjustable Stock Ratings" one year (regular price \$2.50)—all for \$9.00. If you are a subscriber now, the expiration date of your current subscription will be extended accordingly.

Mail This Coupon Today

The Magazine of Wall Street
42 Broadway, New York, N. Y.

Sept. 19, R. B. 1931

Enclosed is my check for \$9.00. (Enter) (Extend) my subscription to The Magazine of Wall Street for one year (26 issues) including full consultation privileges of your Personal Service Department and also send me the next 12 issues of the Monthly "Adjustable Stock Ratings."

Name Address

City State

Canadian and Foreign \$1.00 additional



WITH THE EDITORS



What You Want Is Yours for the Asking

FOR more than 23 years it has been the aim of this publication to serve its readers with subject matter which would prove of the maximum interest and value in the conduct of their own businesses and in the making of successful investments. Judging by our correspondence, we have at least approximated the mark. It is, however, our constant desire to increase the practical worth of each issue and to further cultivate personal service through the establishment of a closer relationship between this Magazine and the reader as well as to provide a common ground on which readers may exchange views among themselves.

It was with these objectives that the Readers' Forum, which appears in each issue, was established. At its masthead it carries a slogan which reads in part:

"The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter."

This sentiment is the spirit of a department whose pages are open to your expression. We have in other words provided a round table for the interchange of views between editor and reader, between reader and any outstanding authority in a specific field or between readers themselves. It is our belief that free expression of thought and mutual exchange of counsel on economic, financial, investment and business subjects are particularly welcome and helpful at this time.

The Forum provides you with space for criticism or suggestion in connection with the writings of any author in this Magazine or elsewhere. If you differ from the conclusions or interpretation of a writer or another reader, or if you have supplementary information to offer, write to the Readers' Forum and let us all benefit by your views. Perhaps you have a pet subject whose discussion would be generally helpful. If you are confronted with a problem which may be common to other readers tell us about it and we will try to find a sound and practical solution. If you desire the views or experience of any prominent individual, let us see whether our combined invitation will not bring them forth.

It is our hope and belief that a closer bond of understanding, a sincere and co-operative effort among readers, editors and authors will redound to the benefit of us all.



INTERNATIONAL POWER and PAPER COMPANY of NEWFOUNDLAND, LIMITED

GROSS SALES of International Power and Paper Company of Newfoundland, Limited for the six months ended June 30, 1931 amounted to \$4,301,751 as against \$4,230,808 for the corresponding period of 1930. Net revenue, including other income, available for interest and reserves amounted to \$1,519,468 as compared with \$1,364,479.

This is an increase in net revenue of 11 per cent over last year in spite of the effect on 1931 earnings of the \$5 per ton cut in newsprint prices. Mill operating efficiency is increasing steadily and large savings in fuel costs are resulting from the installation of 58,000 horsepower additional generating capacity at the Company's hydro-electric plant.

Net revenue, including other income, for the first six months of 1931 was at the rate of almost 13 times the interest requirements on the first mortgage bonds before deductions for depreciation and depletion, and 10 times such interest requirements after deductions for depreciation and depletion.

For a copy of the 1930 report of International Power and Paper Company of Newfoundland, Limited, address

INTERNATIONAL PAPER and POWER SECURITIES, Inc.

220 East 42nd Street, New York

The BIGGEST Asset of All

STEWART-WARNER, now celebrating its 25th Anniversary, is commemorating the event with a new Silver Jubilee Line of Radios—from a standpoint of value, as great a line as was ever put on the market, even by Stewart-Warner.

The Silver Jubilee Line serves only to illustrate the outstanding value which from the beginning has individualized all Stewart-Warner products. Out of this policy has grown a public confidence which to-day is Stewart-Warner's most priceless business asset.

Copy of latest financial report and list of products manufactured will be mailed to any address upon application.

STEWART-WARNER CORPORATION

1826 Diversey Parkway Chicago
and subsidiaries
Stewart-Warner-Alemite Corp'n
of Canada, Ltd.
The Alemite Corp'n
The Bassick Co.
The Stewart Die Casting Corp'n

Your best years—



Are you using the earnings of your best years to provide for later and perhaps less profitable years?

More and more people are investing in securities of Cities Service Company so that they may be assured of a second income when they will need it most.

We shall be glad to lay before you concrete plans for building an independent income.

Mail the coupon

HENRY L. DOMERTY & CO.
60 Wall Street, New York

Please send me full information.

Name

Address

(0635-19)



E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

*The Call to Unselfish Leadership — Getting Rid of
Surpluses — Tentative Hope in Commodities —
Patriotism Above Politics — The Market Prospect*

THE CALL TO UNSELFISH LEADERSHIP

UNEMPLOYMENT is common to the whole world but in perhaps no other country does it cast such a reproach on modern progress as in America. We have maintained the highest wage scale, have encouraged a national enjoyment of things commonly beyond the reach of the average man. We have established the highest standard of living of any nation. We have been skillful in applying science to our industry and agriculture, but with all of our progress and achievement it is possible for six million or more men, who are willing and able to work, to stand idle. The situation which faces us this winter is a challenge to the American "system." It is a challenge to capitalism and to that leadership which brought capitalism to the heights it now enjoys. Capitalism is the foundation of the national progress we have made. Moreover as we know it in this country it has been made a system, through the wide distribution of security ownership and profit sharing, which, has brought us whatever advantages socialism, or even communism, might have to offer without the bitter oppression which the latter systems actually entail. There is no doubt that labor is cognizant of these things, but empty stomachs unquestionably pervert sound reasoning. Capitalism

hence faces the most severe tests that it has met on these shores in several decades. In Europe we may expect more intolerance of capitalism on the part of the masses. Outside of Russia they have not experienced, or perhaps do not suspect, the suffering and oppression of socialistic systems. It is therefore not unlikely that radical tendencies may be sharply manifested abroad. They must not, however be given any grounds for extending themselves here. Admittedly this may be a difficult task. Suffering and want are conducive to the overthrow of whatever system is current, in the desperate hope that what is new may be better. This is the call to which the most intelligent leadership in American business and industry must answer. It is a time for deep thinking, sound logic and abandonment of politics and political considerations.

A national committee under the chairmanship of Mr. Gifford is already organizing to deal with unemployment relief. Numerous state and local organizations will also be active. But to achieve lasting results more individual effort on the part of employers is necessary. In this connection it is of interest to consider the following recommendations from the California plan.

1. Give all wage-earners now on the payroll every reasonable assurance of the safety of their jobs, in

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Three Years of Service"—1931

order to relieve their fear of being added to the unemployed, and to revive their normal purchasing activities.

2. Provide the maximum amount of employment consistent with production schedules and sound financial practice; wherever possible, stagger or rotate employment or place some jobs on a shorter working period basis, in order to distribute work available over as many as possible employees.

3. Hold lay-offs to a minimum by eliminating overtime and distributing such excess work to additional employees, where physically feasible.

4. Study possibilities within each organization of further distributing work among a larger number of employees, consistent with efficient operations. (For example—staggered employment, shorter working hours or working periods, rearranging vacation schedules, extra vacations and such other time off on a voluntary basis, etc.)

This is the time for business leaders—the capitalists, if you will, to correct the weaknesses, which result from the ill considered excesses of the boom. We are faced with a national emergency which demands co-operation and sacrifice from capital—both from the standpoint of humanity, in the relief of suffering, and in defense of the system which has made American life and progress possible.

GETTING RID OF SURPLUSES

IN the Pacific Northwest there is a more cheerful note in business, traceable directly to huge shipments of grain and flour to China. Flour mills, labor and railroads will receive approximately \$3,000,000 for handling the export of 15,000,000 bushels of Farm Board wheat to China, half of it ground into flour by Seattle, Tacoma and Portland mills. Before long an additional stimulus, will be felt from the movement of 7½ million more bushels to Germany. Here we have just a hint of the revitalizing effects of disposing of Farm Board surpluses upon easy credit terms. There is far more to gain than could possibly be lost in such arrangements. They should be extended to cotton and to other surplus products, including those privately owned. The tentative, cautious experiments in this direction thus far made have met with a decidedly favorable response in the American press. One of the most conservative dailies boldly falls in line with the sentiment of the plan, which this magazine proposed some six weeks ago, when it says in substance: "Why worry about present profits or moderate credit risks now? The price advantages to be gained in ridding ourselves of the surplus far outweigh such temporary hazards." This is one of the bright spots of the times, increasing the pressure for a sensible solution of the surplus problem. The Farm Board has little of prestige to lose. It will regain much by liquidating itself and its holdings as rapidly as possible, without undue quibbling as to terms. The sooner it does so, the sooner will farm prices be free to move upward in recognition of the basic adjustment which lags only at Washington.

TENTATIVE HOPE IN COMMODITIES

CONTINUED reaction in most of the basic business indices and renewed weakness in the stock and bond markets have not yet been followed by any significant extension of the general slump in commodity prices. As far as it goes, this is a decidedly hopeful factor. In the past commodity prices have almost invariably been preceded in advance by business and by the security markets. If reliance be placed upon this precedent, therefore, we would be forced to doubt that the commodity average has seen its bottom. Yet the economic movements of the last two years have violated many precedents and it is perhaps conceivable that the order of recovery in this instance could be reversed. At any rate, the commodity price changes of coming weeks will be of vital interest. Farm products have continued to decline and now stand at a new low but other groups show resistance and the commodity average moderately above the low point of June, has completed three months of stability. A year ago there was a similar period of temporary stability which proved to be meaningless, but with prices back to the pre-war, pre-inflation level of 1913 there would seem to be a decidedly stronger basis of confidence in the present tentative resistance.

PATRIOTISM ABOVE POLITICS

THE economic difficulties of the world, bad enough in themselves, are unfortunately bedevilled by a tangle of selfish political considerations. International business is prostrate under a burden of Governmental debt, much of which appears unpayable. And debts continue to pile up in a disastrous race of armaments. As if this were not enough, tariff barriers raise mountainous obstacles to trade everywhere. Nationalism and shortsighted self-interest have run riot. The solution, unfortunately, can not be divorced from politics, but is it too much to hope that politicians in this hour of need will dare to look a bit less fearfully at the ballot box and think a bit more of the common good? An inspiring example has been set for them by a British statesman, one of the few who deserve that exalted title. Ramsay MacDonald has put the interests of his country above those of his personal career and of his party. He has thrown away his political future and by the measure of his sacrifice has clinched the respectful admiration of the world. If more of this true patriotism, which rises above politics and personal aspirations were found at the helm of the ship of state in every country how generously and confidently world problems would be solved!

THE MARKET PROSPECT

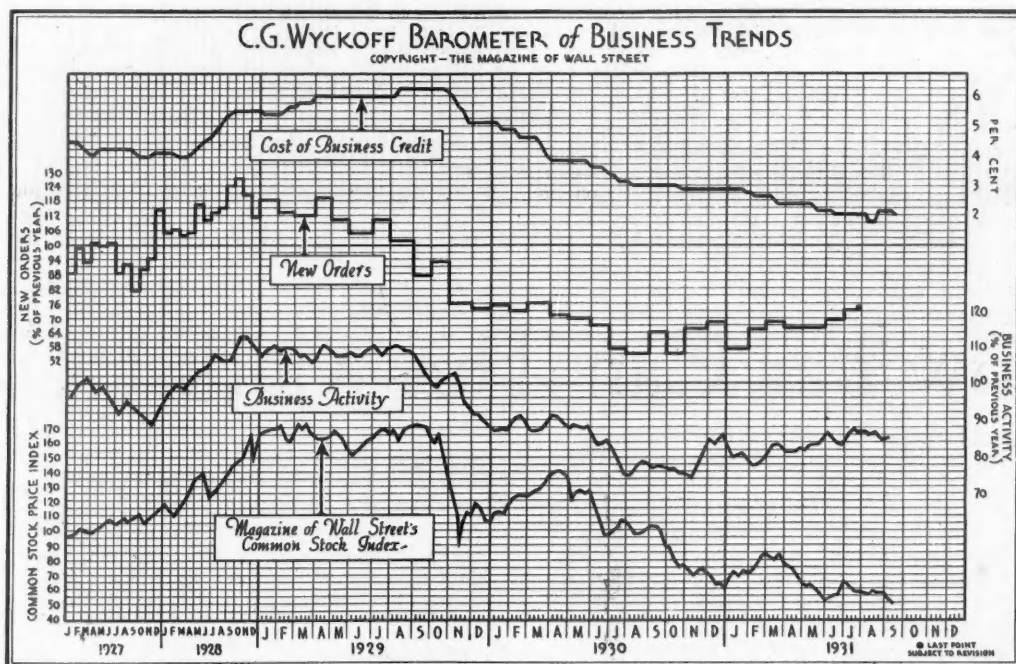
OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 696. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, September 14, 1931.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Three Years of Service"—1931

Taking the Pulse of Business

Static Trade and Industry Offer
Little Indication of Future Trend



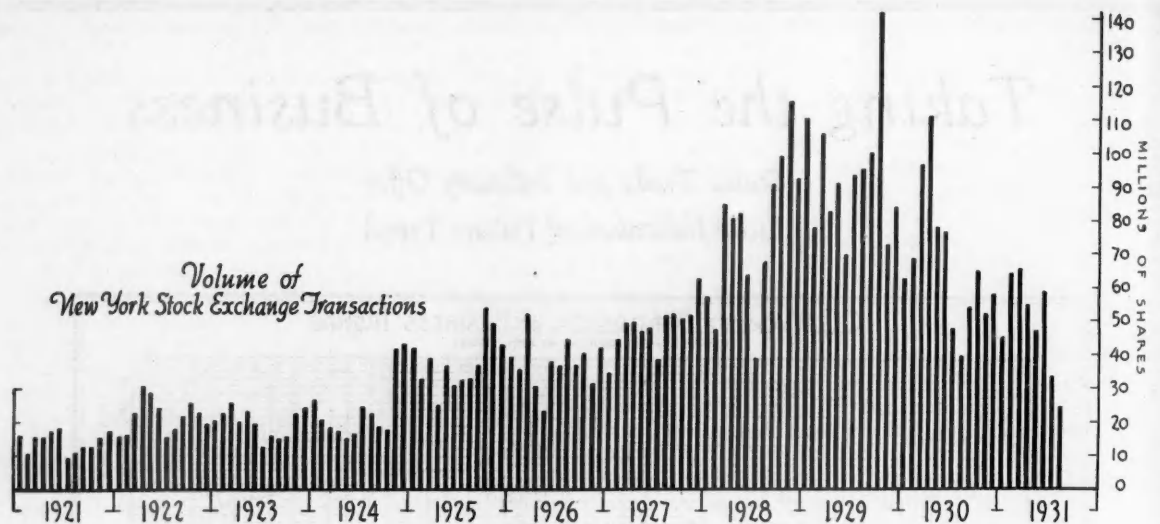
IN the transition period from summer to fall which now obtains, it is difficult to look far beyond current conditions. As yet our barometer offers no definite indication of the longer range prospect. The Cost of Business Credit line, for example, after its recent moderate rally, holds unchanged at the new level pending fresh developments which may lead to further increase, or bring renewed ease, in the demand for funds. Reserve Bank credit has expanded by 270 millions within the past two months, which has somewhat more than offset a 200-million-dollar increase in circulation. In the meanwhile, however, bankers' balances have been reduced by 240 millions, so that member bank deposits are now down to a new low record for the depression.

This same absence of a convincing trend is displayed by the New Orders graph, which has been creeping up gradually during the past year, though not at a sufficiently rapid rate to speed up the wheels of production. It is of course too early now for a glimpse of what showing will be made by the next point on our New Orders graph, though building contracts reported for the first three weeks in August were very small.

While production schedules are governed, over a period of months, by the volume of incoming orders, there are times like the past few weeks when the factories slow down and accumulate a backlog of unfilled orders. The fact that our Business Activity curve has reacted rather sharply last month points either to an accumulation of unfilled orders, or to a decrease of some proportions in the amount of business recently booked. In either event, the rate at which the country's leading industries are now operating is so abnormally low that it seems reasonable to expect a rebound of some proportions as September progresses. It is scarcely probable, however, that any improvement which this month may hold in store will be of sufficient magnitude to save the third quarter's reports from making a poor showing—especially in view of continued weakness in raw material prices.

Recent dividend reductions and omissions are the logical outcome of current unsatisfactory conditions in the business world; and it is quite natural to find that our Common Stock index has turned downward in response to such negative evidence of any current improvement in the industrial outlook.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Three Years of Service"—1931



How Far Can This Market Go?

Absence of Tangible Business Improvement Results in Uncertain Trend

By A. T. MILLER

GOING into the last half of September, the stock market for the first time since early June is again frankly recognizing the realities of continuing business stagnation and the full significance of the resultant shrinkage in corporate earning power. Its performance at this writing appears to signal an extension of the basic bear movement and unquestionably reflects a preponderant speculative opinion that genuine economic revival can not be expected to show itself before next spring.

This gloomy anticipation may or may not prove correct. Certainly the current business picture offers nothing whatever that can be advanced in refutation. In the receding cause of near-term hope it is possible, of course, to argue that pessimistic sentiment is suspiciously unanimous, that amateur short-selling is as popular as Tom Thumb golf used to be and that a rally often comes in an over-sold market when least expected. It can be pointed out that in the past, major reversals of market trend have occurred under just such conditions of apparent hopelessness. It is even possible to hope, if one so chooses that the seasonal business gains now several weeks overdue will perversely make a belated appearance before the middle of October, which usually represents the peak of autumn activity.

But there is scant comfort in these devious intangibles. They present a feeble front against the assault of the factual evidence. Even if one views the obvious with cautious reservations, it is doubtful reasoning to assume that, since the majority of speculators always lose, the present bearish majority must be wrong. For a year back similarly fallacious optimism has repeatedly expressed itself.

It is not humanly possible, of course, to forecast the

business developments of the next three or four months. From the speculative point of view, however, there is no reason to try to do so, since, right or wrong, the present psychology will dominate the market unless and until it is changed by fresh economic developments.

In the failure of the "autumn rally" which professional operators attempted to start in August there is nothing surprising. Since the start of the bear market each spring has been marked by sizable business gains of seasonal nature and by extensive speculative recoveries; but there is no such precedent of fall recovery in the present movement. At this season a year ago a new phase of major decline was in progress.

Since the falsity of the rally of last spring was conclusively demonstrated in the slump which culminated in June, the speculative inclination has been to demand proof of genuineness on the next rebound. The moratorium rally, sharp as it was, plainly revealed the limitations of artificial stimulation and merely provided an attractive plateau for continued institutional and "inside" liquidation, as is evidenced by the fact that in July and August the market failed to come anywhere near the highest June prices.

In this market and in those of the past it has been proven time and time again that even the most powerful bullish sponsorship is powerless in opposing adverse fundamentals. The several veteran operators responsible for the August efforts are well aware of this. They were willing to force the market only so far. Their program was based on the hope both of near-by business gains and of attracting a following to which stocks could be sold. Instead, they

found themselves bidding up prices which attracted apparently informed liquidation. Their consequent withdrawal of support ushered in the September decline.

The market broke definitely into a downtrend on September 2. Trading activity, which had dwindled to the lowest level in six years, was immediately doubled and in the next session was doubled again. Increasing volume on the decline once again had signalled an important speculative change.

A Faithful Indicator

Even prior to this development there had been some obvious reasons for placing little trust in the "autumn rally," as pointed out in this publication. Chief among these and quite aside from the fundamental world problems still unsolved, were acute weakness in the railroad shares and in the bond market. It is now clear that this hesitation of the rails while a few industrials and utilities advanced was a faithful index of the underlying market trend, as it had been for eighteen months back.

Various specific developments contribute to the momentum of the decline, including the receivership for the Florida East Coast Railroad, omission of the Lehigh Valley, Rock Island and Case Threshing dividends and downward revision of the New Haven and New York Central dividends. These are but incidents, reminders of the condition confronting us. They are probably of less market influence than the fact that seasonal gains in business have utterly failed to appear.

As to the current business records, little discussion is required. Operations in the steel industry, more anxiously watched than any other index as a reflection of basic industrial activity, are officially revealed by the American Iron & Steel Institute to have dropped in August to a new low for the depression. Output of ingots was at only 31.13 per cent of capacity. The month represented the most stagnant steel business since December, 1921. Moreover, the post-Labor Day records indicate no convincing improvement. From the present low level little recovery can be experienced between now and the close of October, normally the peak steel month of the fall. Accordingly the final 1931 earnings reports of the industry will unquestionably be poor no matter what the fourth quarter holds.

Car loadings show much less than the usual seasonal gains and, indeed, with allowance for seasonal fluctuation, are likewise at a new low for the depression. Loadings of less than car load lots of merchandise freight, a particularly sensitive index, make an especially poor showing. In the basic construction industry current records are equally uninspiring.

Hopes that the automobile industry would provide some autumn stimulation have been modified. The introduction of new models by several makers later in the year may provide a fillip but can hardly change the picture. In fact, it becomes evident that the best business of 1931 is already behind the industry.

The second quarter profits of the motor makers, none too good, are the best of the year and with

them the third quarter earnings will undoubtedly make poor comparison. In particular, General Motors profits are now estimated at a maximum of thirty cents a share for the third quarter, as compared with fifty-three cents for the corresponding quarter of last year and with \$1.22 for the second quarter of this year.

There is no reason to believe such results are exceptional. Rather, they appear to be typical. A great many companies in basic lines will be hard put to show third quarter earnings larger than those of the disastrous first quarter. Merchandising companies no doubt are an exception to this rule and promise to maintain the improvement of recent months. Consumption goods in general reflect the pull of low prices upon the retail buyer.

Third Quarter Earnings

Yet it will almost certainly be found that between the second and third quarters the aggregate base of corporate earning power underlying the market has again been whittled down. The implications in relation to dividends are all too plain. Many companies are temporizing and postponing the inevitable, meeting part of their dividends out of surplus. The wisdom of such a policy is at least debatable. It tends to prolong the agony of liquidation and to delay basic readjustments, including frank dealing with the problem of wage standards.

Nevertheless the remaining months of the year will be months of unfavorable dividend developments. Despite the generally liquidated condition of the market the coming omissions and revisions have not in all cases been discounted.

As to the broader aspects of depression, little change is to be seen. The tendency in most nations in dealing with problems of international indebtedness, of tariff barriers, of excessive expenditures for armaments and of unbalanced governmental budgets is to compromise and postpone the reckoning, even to the extent of borrowing anew to meet matured debts or the interest thereon. In this country we are to hear more and more of tax problems and we are coming closer to the assembling of a Congress in which a legislative deadlock will cry out for unselfish leadership.

In the near-term stock market outlook the technicalities suggest a test of the June 2 lows for industrials and utilities, the rail shares having dropped decisively to a new bear market low. In the industrial group belated liquidation of overpriced blue chips continues notable. Next to this, the outstanding technical indication at this writing is a distinct lessening of the popularity heretofore enjoyed by the utilities.

Regardless of the manner in which technical tests are met in the next few weeks, prudence counsels that long-pull accumulation be deferred until either obvious investment levels are reached by the stronger stocks or the business skies begin definitely to clear. In contemplating the approach of this opportunity, the single existing bright spot is the continuing stability of commodity prices. It carries only tentative conviction at best.



From Bobinac Woodcut

- ¶ Will England Be Forced by Circumstances to Abandon the Gold Standard?
- ¶ Will She Attempt Mobilization of Privately Held Foreign Investments to Protect the Pound?
- ¶ Or Will She, With the Help of Foreign Credit Extension, Carry On?

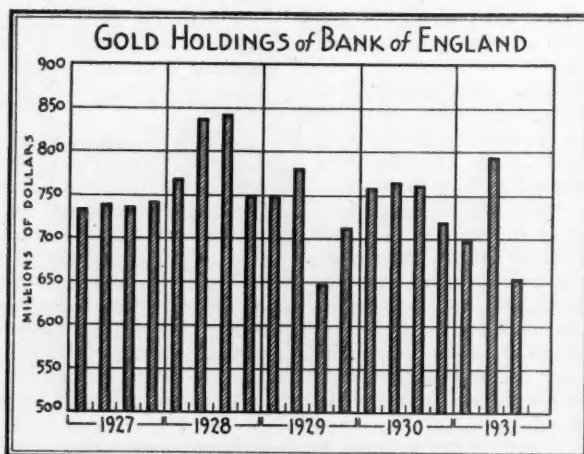
The Dynamite in the English Situation

By HENRY RICHMOND, JR.

STERLING breaks — Bank of England loses gold — United States and France lend England \$250,000,000 — Labor Government falls — United States and France lend England \$400,000,000. It is evident on the face of it that these headlines brought tidings of more than ordinary importance, but do we thoroughly appreciate the possible effects upon ourselves of the news so curtly portrayed? Why did we lend England a further vast sum of money when the amount she

already owes us presents an almost insoluble problem both for her and for us? One thing is certain it was not due to any innate kindness of heart on our part. We did it because we had to, and the reasons, therefore, will shortly be made clear. First let us briefly review the cause of England's present predicament and then examine more closely the possible effects upon ourselves of the steps being taken to extricate her.

A national financial crisis is exactly the same as any other crisis. Conditions grow increasingly grave until there comes a point at which the patient must either quickly succumb or take a turn for the better. In the case of England, her failure to retain the predominant position in world trade which she held prior to the war was explained in a recent issue of *THE MAGAZINE OF WALL STREET*.^{*} It was shown that she had been hard hit by the world's new born nationalism with its striving for self-sufficiency by means of tariffs, bounties and restrictions; that other nations either were gaining upon her or had passed her; and lastly that she was living in the past on capital accumulated in the past. These are the funda-



mental causes of her difficulties. The straw that broke the camel's back or the immediate reasons for the present crisis, however, are somewhat different.

London is still the world's clearing house. Bills are drawn upon her from all parts of the globe. She maintains a free and active market for almost every product known to man. Her port charges are reasonable and her warehouse system second to none. She is, in fact, the world's commercial banker and

broker. Money is kept on deposit there—vast quantities of money—mostly payable on demand. This money, London, just as would any commercial bank, lends as working capital. She is willing to accommodate anyone, anywhere, with a short term loan if only it be reasonably well protected and of more practical importance than her willingness to do this, are the facilities at her command. There is, however, one significant difference between London's operations at the present time and the manner in which she carried out the same thing prior to the war. The lack of confidence engendered by this event has made her guarantee of both sides of the transaction in her banking and brokerage operations vital to the business. It might even be said perhaps that she was willing to take risks that other countries either would not or could not take, although there is absolutely no evidence to support the contention that she exceeded her scope as a commercial banker by taking her customers' demand deposits and lending them on long-term, thereby risking the accumulation of "slow" assets. Indeed, London's net liability at the commencement of the present trouble was around one billion dollars whereas it was at least 50% more than this at the end of 1929.

^{*}July 25, 1931.

Even so, the fact remains that, while not exceeding her scope as a commercial banker, she provided Germany with large short term credits and these, due to the recent financial difficulties in which that country found itself, suddenly became frozen. There might have been no trouble under ordinary circumstances, for, although London was deeply involved

in the German fiasco, she was by no means disastrously embarrassed. Circumstances, however, were far from ordinary and a world already suffering from lack of confidence became increasingly fearful. There was a run on the bank. It will never be known whether the run was caused solely by fear acting in a normal manner or whether other factors contributed to it. If one believes that France has done, and is doing, everything in her power to permanently cripple Germany, it will not be difficult to give credence to the theory that France, always objecting to the way in which England has helped her old enemy, decided to say "enough" when she saw the same thing being done in the last German crisis. At any rate, France began to draw her London deposits on a wholesale scale. Other countries followed suit. Even Englishmen began to send their capital abroad, fearing the outcome.

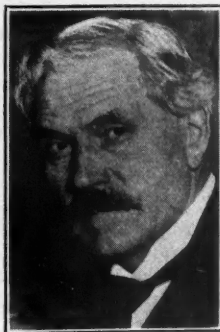
The rush to sell sterling naturally caused it to decline in terms of other money and the depositors began to draw something from the bank they had never put in—gold. In the four weeks ended August 14, last, the Bank of England lost some 155 million dollars in gold. Now, it is an indisputable fact that there is not, and will never be, a bank in the world which can pay off its depositors if they all demand their money at once. So with London. She foresaw the time when her liquid resources would be exhausted and she would be unable to meet further demands.

It was at this point that disaster was apparent. New York and France seeing the danger provided a credit of \$250,000,000, with which England bought her own exchange in order to prevent a further loss of her slender gold resources. She herself saw where the road was leading and did what she could. A coalition government was formed in order that a number of drastic and unpopular economies could be put into effect and the budget balanced. The Bank of England received permission to expand temporarily the fiduciary note issue (unbacked by gold) in the amount of 75 million dollars, which had the effect of enlarging the stock of exportable gold by this amount.

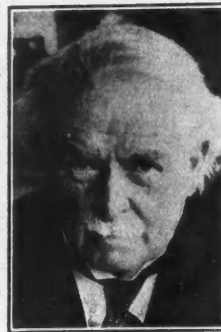
It was thought that these measures would do much to restore confidence; and events to date confirm that they were correctly interpreted. Fur-



STANLEY BALDWIN



RAMSAY MACDONALD



LOYD GEORGE

Three Leaders in the Coalition Cabinet

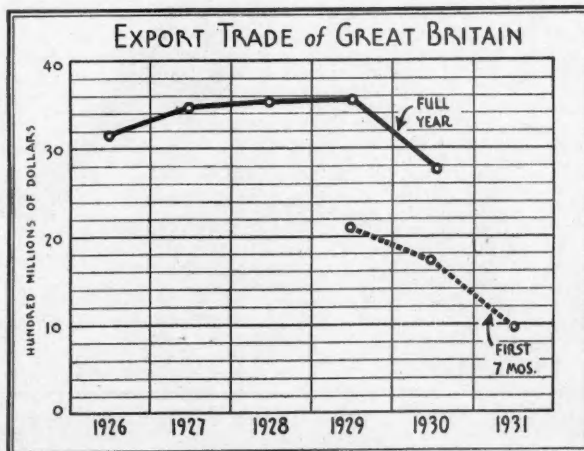
thermore, arrangements have been made for yet another another credit, which will run a year and will amount to 400 million dollars, half of which will be provided by France and half by the United States. This credit will not be used to repay the original Bank of England credit of 250 million dollars, which was heavily drawn upon.

The workings of the later and larger credit are interesting and important and as they must be referred to later, will be briefly described. In effect, foreign bankers agree to purchase at a discount (the maximum and minimum rates only being fixed) short term British Treasury Bills, similar to those sold by the United States Treasury. As these mature, they may be renewed at the wish of the British Government. With the dollars so obtained, sterling exchange is bought, thereby preventing the pound from declining to a point where it would be profitable to take gold from London. There is, however, one noticeable difference in regard to a hundred million dollars of the French share. This sum will be sold direct to the French public in the form of one-year franc bills.

There are of course a number of reasons why the United States and France lent these vast sums of money to England—most of them obvious ones. There is first of all the political aspect. Any unsettlement in England is likely to be reflected throughout the world and should therefore be smothered at the first sign. The economic reasons are equally valid. It is to our advantage to aid the world's commercial banker, not only because we will probably need his facilities in the future, but because we have large deposits at stake. In addition, England is one of our largest customers and we would naturally therefore do everything in our power to promote her well-being, particularly inasmuch as the danger threatened the purchasing power of the pound sterling. She is also our most important debtor and any misfortune will react upon her capacity to pay us. Finally we have invested immense sums of money in England herself, her empire and also in other parts of the world over which London exercises a control which would become severely weakened to our detriment if her

finances were to become demoralized.

While these reasons in themselves provide a more than ample excuse for our willingness to aid England, there is yet another which in itself might have been sufficient to force us, willy-nilly, to protect the pound. England's foreign investments are enormous. Among them she probably possesses a billion dollars or more in United States and Canadian securities, commonly described as being easily marketable. Suppose as Mr. Snowden hinted might



be done, and as *The Daily Herald* stated actually was done, England mobilized these investments for the protection of sterling exchange. A similar operation was carried out during the World War when by first requisitioning the privately held foreign securities of her people, principally American, then selling them, she obtained the dollars so necessary for the purchase of materials and supplies. Such a thing would probably be more difficult at the present time as the war pressure is lacking, but nevertheless it could be done. If it had, our sorely tried security markets would have had to withstand a tremendous attack. They would have been shaken to the foundations. There would have been widespread impairment of collateral loans, followed by an epidemic of bank failures which would have made those to date appear inconsequential. Yet, that which we have done is no more than a stop-gap, carried out under the pressure of necessity.

This is not to deny that there is something to be said for not crossing your bridges before you reach them, but only that it provides still another example of the world-wide policy of procrastination which has been followed during the last two years. It is an insult to man's intelligence. Germany trembles on the brink of Bolshevism and she is "tided-over" for sixty days. The war debts moratorium runs a year when it is obvious that here is a question which should be settled once and for all. The unemployment relief schemes, now so much on the front pages of newspapers everywhere, are never more than temporary expedients. Our own government faced with a deficit which may run as high as two billions of dollars "pussyfoots" and floats a bond issue. So with the English financial crisis. True, disaster has been averted for the time being, but what of the future? How are the holders of British treasury bills, despite the fact that their face value is in dollars and francs, to reobtain real dollars and real francs without depressing sterling exchange? The credits, of course, can probably be renewed or better still it is hoped that the bond market will have improved sufficiently to permit of a long-term refunding operation, the interest and amortization charges on which will be covered by the yet-to-be achieved governmental economies. Such, however, is no more than "wishful hoping."

There has been little alteration in the fundamental situation. England's trade is still at a low ebb. She still has more than 6,000,000 persons, counting the recipients of the "dole" and their dependents, old age pensioners, etc., living on the state. It should be clear by now that there is a limit to the extravagance of even a multi-millionaire. Naturally, if she does balance her budget, it will be something achieved. And it must be admitted that the steps taken to date have been courageous. Something closely approaching a dictatorship has been established, which proposes to bring about the very neces-

sary balancing of the government's finances by a combination of economy and increased taxation. There is no quarrel with the economies except that they might have been more drastic and carried out sooner. The increase in taxation, however, is another matter. It is yet another brake on the activities of long suffering businessmen. How can England hope to regain lost foreign markets under a system whereby the manufacturer works solely for the government? The Englishman is the most heavily taxed individual in the world. Indeed, the demands now made upon him have reached a point where the success of any further taxation is problematical. The government is squarely faced with the law of diminishing returns. There is great danger that the latest burden imposed will have the effect of reducing the total taxable income and lessening the demand for beer, tobacco, gasoline and theater tickets so that the government's receipts from these sources will be little higher than they are at present.

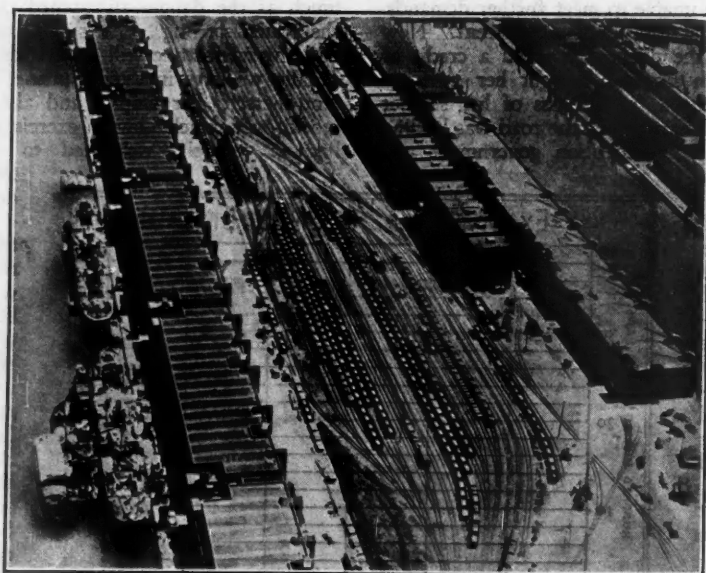
Nothing is to be gained by remaining blind to this unpleasant possibility. Let us suppose for a moment that the chronically depressed state of affairs in England continues, that she remains blind to her danger, and that temporary credits become exhausted. Then what? This is the dynamite in the situation, for an explosion could hardly be avoided.

In the case of our deciding that no more money should be loaned, if England's sentiment remains as it is at present, she would defend the pound to the last ditch and among other disagreeable experiences the world would see its security and other markets flooded with the salable portion of her twenty- or thirty-billion-dollar foreign investment holdings.

There is only one other course open. This is to admit defeat and it would be fraught with even graver consequences, the effects of which we could never hope to escape. The possibility of England admitting that she is tired of financing German banks, Austrian banks, Brazilian banks, and others, tired of preventing riots in India and Egypt, tired of stopping fights between Arabs and Jews in Palestine, indeed nauseated with the whole business of policing the world, opens up a vista too terrible to contemplate. Suppose that she went no further than to decide the maintenance of the pound at its present gold level to be too costly an operation and in desperation abandoned the gold standard. Even this comparatively minor point would have far-reaching repercussions.

At the moment she is against such a course. The Macmillan Report, which embodied the findings of the Committee of Finance & Industry appointed in November, 1929, under the chairmanship of Lord Macmillan, stated emphatically that the depreciation of the pound would be disastrous. There is, however, a powerful minority in England which believes that a great mistake was made when the pound

(Please turn to page 748)



Rail and Steamer Facilities Join in Great Transportation Center at Manchester Docks

Does Business Wait On Banking Courage?

There Is Ample Warrant for the Banker's Present Conservatism—There Is Justice in the Demands of Trade and Industry for More Liberal Credit—This Gordian Knot Must Be Cut for Business Recovery to Get Under Way

By LAURENCE STERN

MONEY is easier than ever before, if you judge it by the price of short term or call funds. The banks are bulging with it. If you are a speculator, you can borrow it, through your broker, at $1\frac{1}{2}$ per cent. If you are a business man or a farmer and cannot put up readily marketable collateral—try to get a loan!

If you are a manufacturer and tell your bank you would like to have \$25,000 to use in re-tooling your factory, in order that costs may be lowered and volume of sales expanded, you are likely to be reminded that times are hard, that the business outlook is doubtful and that the bank favors no such unnecessary expenditure of money.

In some banks you will be treated as if your request for a loan constituted an assault upon the institution's solvency. The vice-president, who, familiar with the details of your business, formerly extended you a line of credit on his own responsibility, will shake his head dolefully and tell you that it is now necessary for all loans to be passed upon by the board of directors.

For example: In a large Mid-Western city is a furniture dealer doing a business of \$1,000,000 a year and long accustomed to a normal line of credit at his bank. But upon his recent application for a loan the bank informed him that it did not consider the future of the furniture business particularly good and hence would have to refuse credit.

It is quite possible, of course, that the bank's judgment in this particular transaction was sound. Moreover, it may be that the incident is not fairly representative of all American banking during this depression period. We have all sorts of banks in this country and all sorts of bank management. Perhaps the furniture dealer was merely unfortunate in his choice of a bank.

Nevertheless, the available evidence points to one significant generalization. At a time when the entire business and commercial structure has been drastically deflated, forming a fundamentally sounder base for credit than has existed in many years, and at a time when money is plenti-



ful, the average bank today is as cautious and timid as it was careless and confident in 1929.

There are a limited number of business enterprises which, by building up large financial reserves, have more or less freed themselves from dependence upon bank credit. But American business as a whole is by no means in this position. Credit is its life blood. Directly or indirectly, a business tends to reflect the vision or lack of vision, the initiative or lack of initiative, the general managerial competence or lack of competence of its bank. The bank is not only its counselor but, holding the credit reins, is in a position to enforce its counsel and habitually does so.

Thus, it is not too much to say that American business tends to travel in the direction in which the banks permit it to go. At times there is imperative need of applying the brakes. Never was a strong brake more badly needed than during 1928 and 1929, when a fever of speculation gripped the country and when business large and small drifted carelessly into rank inflation and over-expansion under the illusion of an ever-continuing prosperity.

Some banks applied the brakes—banks of sound competence; city banks, country banks, State banks, National banks, members of the Federal Reserve System and non-members. But these, unfortunately, were a minority. The majority kept step with the prosperity parade. For nearly two years they have been paying the penalty in the distressing liquidation of collateral loans that were too freely granted, of inflated real estate loans, of unsound commercial loans; in the decline of foreign and other bonds which never merited a place in any sound bank's portfolio; in excessive withdrawals of currency for hoarding by a frightened public; and, in altogether too many instances, in actual insolvency and failure.

At a time when the brakes should have been applied, they were not applied.

Now they are being applied in no uncertain manner—at a time when they were never more unnecessary. The one thing that American business does not need after two years of depression and deflation is a banking brake, a tight, cautious hand upon the reins of credit.

In the very nature of things, in a time like the present, the business man leans to the side of conservatism and caution. He is far more likely to be too passive than too aggressive. He is in greater danger of over-contraction than over-expansion. There is sore need that whatever tiny flame of courage and initiative he has should be encouraged, fed and fanned.

Instead, we have a vicious circle. The business man who is not doing well cannot get credit. Without credit, he cannot do better.

Large Loan Position Persists

The problem, of course, is not all in black and white. The quandary of the banks, however much of it is of their own doing, may well be examined with sympathy. They may exercise a considerable influence upon economic events but to a greater extent are controlled by them.

Moreover, if the existing business stalemate is due in part to the unsound banking policies of the boom era, what is to be done about it? The year 1929 cannot be re-lived and its mistakes cannot be erased. Once made, they can only be rectified by the slow and painful processes of deflation.

One wonders what the limit of this process must be! The collateral loans of reporting member banks of the Reserve System have declined by the enormous sum of 2,726 million dollars since October, 1929, but they are still outstanding in the still more enormous sum of 6,453 million dollars and the total would be considerably swelled by inclusion of the loans of non-member banks. And what of the real estate loans that remain? And of the bonds that banks would like to sell if they could get their money back? The process is semi-automatic,

like a fuse burning itself out. Every bond that is liquidated in fear or the urgent necessity of liquidity weakens the market to that extent. Every stock loan that it closed out in necessity presses, through market weakness, upon the next loan and its collateral.

Obviously, the fuse never burns itself out—for the theoretical end is zero. Somewhere down the line, if any values are to be left, the thing is halted. Yet no logical point stands out at which one can say that it should halt. If a 6 billion total of bank loans on securities is a proper halting point, then why not 4 billion or 8 billion?

As to what can be done about it, the opinions of bankers and economists are in no agreement. The certainty confronting us is that the fuse of deflation continues to burn, with little or no hindrance.

As long as it burns—and no longer—money will flow into hoarding, the weaker banks will fail and fear will poison the normal initiative and confidence upon which all American prosperity has been founded.

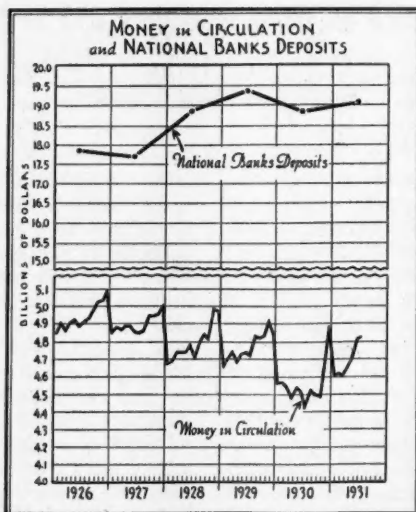
Only Confidence Needed

If it could be announced in the skies tomorrow in magic words from Heaven that no more banks would fail, that every depositor could get his money upon request, that every bank note could be converted into gold from the abundant stocks of the metal lying idle in our vaults—if that could happen, the depression would be over. Confidence would return. Few of us would be silly enough to forsake the convenience of a banking account or to desire gold in place of handy, 100 per cent good bank notes.

But weak banks continue to fail, partly because of the frozen loans left by a past speculation and partly because of a public fear which in many instances no doubt has gone to unjustified extremes. And as long as fear feeds upon fear no one can say with assurance that more banks will not fail next week or next month.

The number of bank failures last year was 1,345 and a total of \$865,000,000 in deposits was involved. The incomplete record of 1931 shows more than 800 failures up to September 1, involving deposits of more than \$600,000,000. The figures, of course, are by no means as sen-

(Please turn to page 746)



Q Militia or Mergers? Is a Solution of the Price-
Production Dilemma to Be Found in Either?

Oil Industry at the Crossroads

Advantages of Large Integrated Units Apparent—State
Control, Lower Stocks and Sustained Consumption
Offer First Hopeful Signs for Industry in Many Months

By NICHOLAS T. CALHOUN

THE determined hand of the militia in Oklahoma and Texas, clamped tightly upon thousands of wells, lifted the American oil industry out of its slough of despair—at least for a time. Seldom has the complexion of a basic industry changed with such startling rapidity and never before has governmental intervention in an economic problem followed so direct and vigorous a course.

Prices, both of crude petroleum and gasoline, soared as if by magic, and even though there has been some softening since owing to a relaxing of the grip in Texas, maintenance of even the current levels would be the brightest ray of light offered in many months to the thousands of owners of oil company securities, permitting the industry to climb out of hopeless depression to a basis on which reasonable profits can be had.

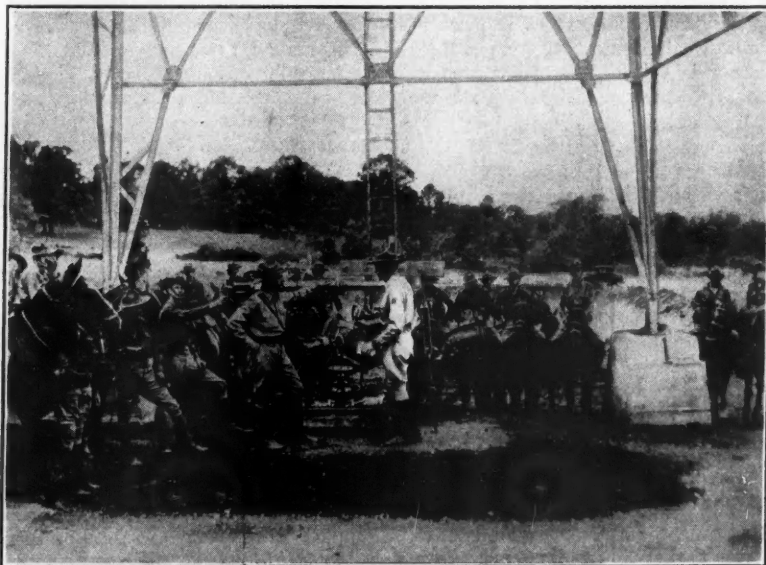
Coincident with the unprecedented method of attacking the basic problem of over-production, which literally has been strangling the industry to economic death in a flood of oil, we have a sudden acceleration of the movement toward ever-vaster combinations of corporate resources in the oil business. It promises, or threatens—depending upon the point of view—to set up several oil enterprises rivalling in magnitude even such giants

as the American Telephone & Telegraph Co. and the United States Steel Corp. The merger trend is dictated in part by natural economic forces and, perhaps more specifically at the present time, by the apparent conviction of the industry that the Federal Government has importantly modified its conception of the proper application of the laws bearing upon monopoly and restraint of trade.

Both the closing of Oklahoma and Texas wells by military force and the pending merger plans of various outstanding oil companies are developments which will almost unquestionably dominate the near-term prospect of the oil industry and of its securities and which, indeed, possibly may shape the industry's course for years to come.

The outcome of current efforts to curb excessive production is of both more basic and more urgent importance than the situation with respect to mergers. What has been done thus far, although establishing a very dubious precedent of governmental interference with private business, is at least a step in the direction of restored business sanity. Control plans hastily devised in emergency undoubtedly will encounter obstacles, particularly as rising prices fan the flame of individual greed.

There is reason to believe, however, that the worst of the over-



Acme Photo

National Guardsmen in the Act of Closing Down Wells. This Action
Was Taken in Four East Texas Counties

production evil has been seen. East Texas is the vital sore spot, its mad flow of oil culminating just before the military lid was clamped on in the truly amazing production of approximately 1,200,000 barrels a day.

The area is a petroleum boil which has come to a head. Whatever happens, it is inconceivable that the recent fantastic wastage there will be repeated. The simple fact is that East Texas found itself in the ridiculous position in which the more oil it produced, the less it got for the total; in which every barrel of oil could only be produced at heavy loss. Such an economic anomaly inevitably corrects itself, either through the impossibly severe financial penalties it ultimately imposes upon the individual producer or through the incentive it develops for applying means of intelligent control.

It was to Governor Murray of Oklahoma that inspiration first came to use military force, closing wells with the threat that they would stay closed until Oklahoma oil commanded a price of \$1 a barrel. The undertaking was of uncertain legality, but evidently the bulk of the Oklahoma oil industry was inclined to hope that it would meet with success, for it encountered no very determined opposition.

Yet it could not possibly succeed as long as East Texas continued to spout oil at an ever-increasing rate. It flowed all the more readily into Oklahoma when that state's wells were closed and with this supply available Oklahoma buyers had no reason to heed Governor Murray's \$1 demand. It was only after the Texas curb was abruptly imposed that substantial advance occurred in the price of Oklahoma oil. Small quantities are reported to have actually sold at \$1 a barrel, although this can by no means be regarded as a firmly established price.

Governor Sterling in Texas may have taken a leaf from Oklahoma's book but his course was meticulously planned with regard to legality. His action is not an effort at price-fixing, which obviously is without the province of officialdom, either state or national. Operators in the East Texas field were blatantly and "riotously," according to the Governor, violating the existing proration laws. The militia took charge until revised and strengthened proration measures could be effectively applied by the Texas Railroad Commission.

At the present writing the average daily production of oil in this country has dropped to approximately 1,800,000 barrels. This is 800,000 barrels under the year's high mark, reached in the week of August 22, and, what is more significant, it is more than 690,000 barrels a day under the estimated consuming demand of August.

Thus the American industry has gone almost overnight from a condition of actual overproduction to one of underproduction, with the result that in some areas above-ground stocks of both crude and gasoline have been substantially drawn upon.

No one should permit himself to be misled by the im-

plications of this statement. It does not by any means signify that the problem of excessive production has been solved. The stores of oil above ground are small in comparison with those underground. The developed, shut-in, easily available production of the oil fields of this country and of South America, whose exports flow here readily at the command of price, could double the highest output the year has seen. Moreover, given a high enough price, oil would flow to this market from other parts of the world, including Russia.

Accordingly, temporary restrictions in Texas and Oklahoma and the tightening of proration in Kansas in no sense constitute a basic solution. If the general shut-down of

wells in East Texas and Oklahoma should be persisted in long enough, the program would defeat itself and come to an end as these states saw other oil-producing areas reaping the harvest of higher prices.

What will happen is that the Texas militia will soon be withdrawn, as will the Oklahoma troops, and these areas will again swing into production. The purpose in Texas is to enforce a real proration. Details of its application are not complete at this writing and, of course, it will remain to be demonstrated whether the plan will succeed. It is believed the effort will be to restrict East Texas to a production of ap-

proximately 300,000 barrels a day.

With the exception of three days in which daily production soared to 1,200,000 barrels, in anticipation of the approaching shut-down, East Texas production had attained a maximum of around 800,000 barrels a day. Control of the area on the proposed 300,000-barrel basis, therefore, would effect a net reduction of 500,000 barrels a day in the country's output, assuming, as there is reason to do, that reasonably effective proration will be continued in other areas.

No Runaway Market

Such a reduction would bring supply and demand into a fairly satisfactory balance, supporting prices on which producers and refiners should be able to improve their profit position materially.

But—and make no mistake about it—there is scant possibility of a runaway market in oil. The existence of a vast shut-in production must assuredly act as an automatic check. The natural difficulties of controlling a product which exists in undeterminable quantities under the ground throughout the world are so obvious that they need no discussion. Equally obvious is the difficulty of artificial restriction which, because of the anti-trust laws, can only be applied to individual areas on an intra-state basis.

In short, under existing circumstances, there appears to be a definite ceiling to profits, either in production or refining, beyond which any advance in prices would inevitably increase the supply of oil. This means that the

Three New Giants of Oil

MERGED:

Standard Oil of New York—Vacuum Oil Co.

Resources: \$1,000,000,000

IN PROCESS OF MERGER:

Standard Oil of New Jersey—Standard Oil of California

Resources: \$2,400,000,000

Sinclair Consolidated Oil Corp. Rio Grande Oil Co.

Prairie Oil & Gas Co.

Prairie Pipe Line Co.

Tidewater Associated Oil Co.

Resources: \$1,000,000,000

realization of satisfactory profits will depend entirely upon the continued success of a rational program of proration.

On the whole, the profits of the petroleum industry are determined by the price which gasoline commands. The distressing experience which the industry has gone through in the last year should make it clear that, despite popular notions to the contrary, the larger companies have no real control over prices. To thousands of "wild-catters" and other small producers oil is not a sober business but a thousand-to-one gamble. The trouble in Texas was the work of producers of this type.

Large Companies Hold Advantage

Their oil forces itself on the market, regardless of price or cost. It enables small, independent refiners to make a cheap gasoline which finds its way to the retail gasoline stations in cut prices. The entire market settles down under the weight of such cut-throat competition. Accordingly, it is evident that effective proration should better the position of all producers to greater or lesser degree. It will not help the reckless, independent refiner. The chief beneficiaries will be the large, well-integrated companies, which handle the bulk of the oil business of the country. With these the price of crude oil is a bookkeeping item as between their production and other departments but it is all important that the refinery market be strengthened.

At this writing an abnormal amount of crude oil and of gasoline is coming out of storage, but it is of interest to note that even before the recent shut-downs in Oklahoma and Texas substantial improvement has been shown in the statistical position of gasoline. Overproduction of crude and the resultant decline in prices was the cause of this, the larger refiners refusing to stock up on oil which would quickly show them a loss as long as East Texas ran wild. Instead, they drew upon stocks. On July 28, total gasoline in storage in this country amounted to 37,289,000 barrels, a decline of 12,000,000 from the corresponding date in 1930 and a decline of 9,460,000 barrels from this year's peak total of March 21. The July 28 total, indeed, was moderately less than the normal "working stocks" estimated by the industry as the equivalent of minimum requirements.

In reflection of this improvement the price of wholesale gasoline turned up late in June from the year's low of two cents a gallon, reaching three cents before the Oklahoma shut-down. It has since advanced to five cents a gallon, where the quotation appears to be steady. Further advance is expected to await establishment of higher retail prices, which thus far has been slow.

Experience has plainly demonstrated that security and profit for an oil company lies in the direction of intergra-

tion. The advantages of the most complete possible rounding out of production, refining and marketing facilities are too obvious to require discussion. Integration for years has been the urge behind an endless series of oil company mergers, large and small. There were many such mergers in the prosperous period between 1921 and 1929.

Need for Integrated Companies

In the main, however, they were combinations of so-called "independents." Each was negotiated with cautious, if not fearful, regard for what the Department of Justice might do. Disavowal of monopolistic intentions had to be emphasized, the public not then having had a complete demonstration of the evils of unrestricted competition. For years there was little thought of mergers among Standard Oil companies. The original Standard Oil trust had been dissolved by court order in 1911. Until recently anything smacking of an effort to re-assemble its component parts would have created a furore of protest.

But conditions in the oil industry have changed vastly since 1911. Various powerful independent companies, well integrated, have grown up. It is probable that if the original trust were assembled, it would have nothing like so complete a domination of the industry as it had in 1911. Moreover, the public has lost much of its fear of big business and is increasingly inclined to accept the claim that mergers, particularly in an intensely competitive industry, are of economic advantage. To some degree this modification of opinion has extended to the Federal Administration,

although its precise position is by no means clear.

The depressive effects of the Sherman and Clayton anti-trust laws have come in for increasing criticism in recent years and efforts to obtain various modifications will again unquestionably be made at the next session of Congress. It is to be doubted that the law will ever permit combinations which in reality approach monopoly.

Meanwhile, however, under the existing laws the Department of Justice and the Federal Courts have considerable latitude for ex-

ercise of judgment in the prosecution of any combination. The legality of an oil merger obviously is not rigidly fixed by the statutes but by the reasonable intent of the statutes and this can only be interpreted with regard for changing economic conditions.

The recent merger of the Vacuum Oil Co. with the Standard Oil Co. of New York was the first instance of important units of the original Standard Oil trust being brought back together. This deal plainly constitutes an advantageous extension of integration for the combined enterprise. The companies occupied essentially separate fields. Their union in no way permits any control of price.

(Please turn to page 744)



Courtesy, Standard Oil Co. of N. J.

When Prices Slid Precipitately, Large Refiners Drew on Stocks

Capitalizing Ingenuity

Alert and Resourceful Management Brings Home the Bacon

By WARD GATES

DURING this summer's grasshopper plague in the mid-Western states one philosophical farmer was quoted as saying:

"Well, they took most of my crops, but I've gathered about ten tons of the critters—got 'em stored in the barn and they will make first class food for my chickens this winter. Figure I'll come out ahead at that."

There are business men the country over, Big Business Men with capital letters and little business men in small letters, who have met their troubles of the past year in much the same fashion as this. Not always using the cause of their difficulties as raw material for new enterprises, but turning their brains to solving the problem of deflecting new business their way. And, often as not to their own surprise, they are finding that intelligent effort towards stimulating buyer or client interest brings returns in times of business depression. Some, like our farmer friend, have gone into other fields. Artisans and office workers have turned to common labor or apple peddling to keep the wolf from the door. Others have kept to their own trades but have worked out new ways of selling their labor and brains.

It is easy to drift with the crowd but it takes brawn and determination to make headway against it, and in these times with so many business organizations and individuals helplessly awaiting a "normal return" of so-called good times it is refreshing and encouraging to observe the resourcefulness and applied energy of others. Many of the business leaders and concerns now in the forefront of the business picture carried on so unobtrusively in the boom that their business prudence and common sense were looked upon as indications of incapacity and lack of vision. Having kept their heads when all about were losing theirs, they have been able properly to appraise the developments in the business situation and to plan and execute programs for creating a demand for their products. They have not waited for the tide of business to turn. They have been making headway against it by taking advantage of counter currents.

Of course hundreds of more or less effective methods of energizing business are used in season and out with little regard for current economic conditions. These methods of inducing the world to beat a temporary path to one's door are not under consideration here. The merchant who proclaims to his community that he is overstocked and has launched a "phenomenal price-slashing no-

profit sale" merely tells his neighbors that he lacked vision and foresight or is just a plain, unvarnished one-syllabled prevaricator. If anything, he adds to the general gloom in that he indirectly suggests the thought that no early improvement is in sight or he would be willing to exercise a bit more patience. Subterfuge and misrepresentation are not business builders.

Against this stands in welcome relief the spirit of the pioneer, the energy that bends itself to wresting a living from the wilderness. In times of economic stress the business world may well be likened to a wilderness, and it is only the pioneering spirit that will conquer it. Rank growths of pessimism must be attacked, obstacles to the establishment of new confidence must be removed, ground prepared for the erection of new structures

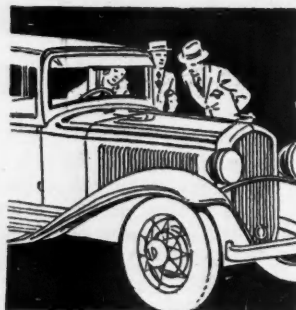
of business activity, paths opened to areas whose resources invite development and exploitation.

In every industry, in those that are generally accepted as having reached the turn of the corner as well as in those in which no prospect of a turn is definitely discernible, we find the individuals, the small companies, the large corporations that are pioneering—and making it pay. New lines of output, new methods of focussing attention and arousing buyer appetite, improved products, increased service, all are the equipment used by these pioneer-minded business-getters who have not lost sight of the fact that the only justification for business is to get business and make profits.

The automobile field provides numerous examples of the manner in which business can be maintained, or a more than average share retained when the total volume of business shrinks. General Motors concentrated its efforts on its low-price division before the business storm broke. Besides, it had wisely diversified its interests—its Frigidaire business for instance.

Another of the effective challenges issued to the spirit of depression by an automotive unit has been that of Chrysler, particularly in the "floating power" engineering development designed to eliminate four-cylinder vibration. Here was a feature which not only was calculated to arrest the attention of every prospective purchaser of a four-cylinder car but to stir the curiosity and arouse buying inter-

est in many who hitherto had looked upon new car announcements with only academic interest. Motor experts, said Chrysler, usually guessed eight as the number of cylinders being operated with the new "floating power."



The "four" was a daring stroke. That it created sales for Plymouth is illustrated by the fact that in the first month after its submission to the public, new Plymouth registrations represented approximately 7½ per cent of the total



of all cars newly registered — and double its percentage of the same month in 1930; and this without cutting in on the business of other Chrysler-built cars. Floating power being new had no record of achievement. It had to be sold on a basis of confidence in the organization making the claims put forth for the new development, and had to

create the desire of buying that particular car. The results appear to prove that in spite of the intense competition in the motor field this particular innovation created new consumer demand.

Right on top of this, Chrysler announced a new-car insurance policy covering all its cars—a 2,000 mile, or three-months, guarantee—and now the Chrysler buyer can drop in at any Chrysler agency in the country during the first 2,000 miles of his new car's life (whether he bought the car through that agency or not) have his car thoroughly inspected, defective parts replaced, necessary adjustments made, and so on, with no charges for either labor or material.

Graham-Paige is another motor organization that is trying out a solution of the sales problem, though its approach makes no appeal to the public imagination. Graham-Paige, it is understood, is preparing to employ salesmen direct and assign them to the dealer who will do little more than clear the business—and still get his normal profit.

So much for the motor car. Let us look at a few other lines of business. There is a national restaurant chain, Child's, that did well enough when business conditions were so good that everybody was eating regularly. Unfortunately it got into an internal wrangle just when most of its executive attention should have been accorded to business policies

Making Folks Eat More

First Child's went near-vegetarian; than it swung the other way after the old management had been told politely not to slam the door as it left the premises for good. Then the discovery was made that people weren't eating so much nor so frequently, and that fewer of them were engaged in the process day in and day out. What to do? The management experimented. The waitresses quietly told their regular customers that an extra cup of coffee or piece of pie would be served without extra charge. The customer told his friends and business perked up. Next the chain printed on its menu that, at no extra cost, the guest could have a second portion of any dish he particularly enjoyed. It was instantly obvious that this pleased the customers. The old ones began coming back. The management then took a long running jump and broadcast in newspaper advertisements and on huge window placards, as well as on its menu, a new plan: "all-you-can-eat for 75 cents." The diner has only to smile engagingly at the waitress, nod approval of the menu, and say to the young

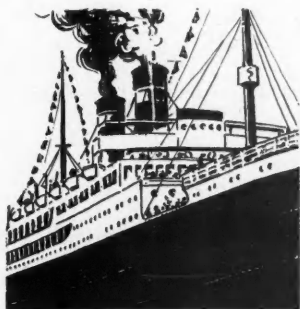
lady: "O. K.—and coffee." The management is satisfied. The plan has brought back trade and has resulted in a larger per-customer check. It has been necessary to add several hundred employees, and the plan promises a much improved third-quarter report for Child's stockholders to pore over. All-you-can-eat-for-so-much isn't exactly a new idea, but it was new to the class of trade to which this restaurant chain appeals, and it proved that restaurant eaters, regardless of class, are brothers and sisters under the skin.

The Cure for Inactive Liners

Take the week-end cruises so extensively advertised this year. Many of the larger and most palatial of the ships in the Trans-Atlantic passenger trade have been week-ending hither and yon this year—to Halifax, Newfoundland, up and down the coast; some slightly more extended cruises also have been made—to Cuba, Bermuda, the Caribs. Three or four or seven days at sea, with most of your expenses paid including land excursions at interesting ports beyond the 12-mile limit. Why? Because the American people have suddenly developed a yearning for short sea trips and something more tangible than fresh water or Wille-branded grape bricks? Not at all. Trans-Atlantic passenger business has been bad this year and last, and long-headed steamship managers conceived the idea of inaugurating three- to seven-day trips, selling the idea through judiciously distributed and engagingly worded advertisements. Ships have spent the summer bringing revenue instead of wharfage costs and repair bills. So popular became the short-tour that the personally-conducted tourist agencies worked out 17-day European tours, one to Paris, another to Berlin, and another to London.

Fruit of the Loom! As a trademark it probably is the best known in America. A simple enough phrase, but for generations it has typified an honest product. It found its way literally into every home. One needed no technical or trade description of what it was. None argued over whether it was as good as it used to be. Fruit of the Loom, was Fruit of the Loom, a standard of cotton sheeting excellence, and that was all there was to that. But in the depressing situation in which cotton goods have found themselves over the past four or five years even Fruit of the Loom sales failed to yield what they should. The owners of the well-known trademark, a great big luscious peach and a bunch of grapes, knew they had something of real value. If value, why not earning power? And so we learn that the Fruit of the Loom trademark is leased out on a remunerative basis to responsible manufacturers to be used as finished materials, pajamas, bed-linen and apparel made from Fruit of the Loom. Here is an illustration of how intangible good-will built up by generations of fair dealing and honest value yields tangible cash profits that may well be represented in a balance sheet valuation. This same capitalization of a standard trademark was proposed recently

(Continuing on page 740)



¶ One and One-Quarter Billions of Foreign Securities Marketed Here Have Been Re-purchased Abroad at Bargain Prices

Foreign Bonds Are Homeward Bound

Re-purchase of Their Own Bonds by Nationals Greatly Decreases Likelihood of Default in Many Issues and Affords Protection to Those Americans Who Have Held On

By GEORGE E. ANDERSON

FOR nearly a year and a half activity in the foreign dollar bond market of the United States has been largely dominated by demand from other countries. Foreigners are repurchasing their own bonds.

Each time the market for these bonds has reached a low level in this country it has been revived and prices lifted by European investors and when foreign demand slackened prices again fell. The result has been that in the past eighteen months something like a billion and a quarter dollars' worth of these bonds at market value have been sent out of the United States. Since most of them have been repurchased at prices far below their face value, the actual amount of the original American investment passed out of the country has been much larger, probably exceeding by a comfortable margin one-fourth of the total amount of such securities floated in the United States in the past five years.

American Investors Lose Confidence

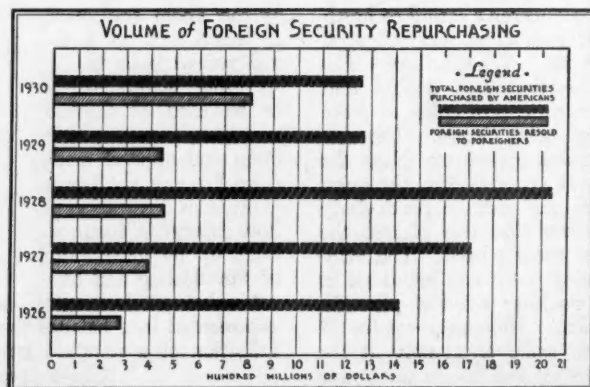
Foreigners have a better opinion of their bonds than has been shown by American investors and they have been willing to back up that opinion by actual cash. The result is that net American export of long term capital in the way of security transactions has decreased almost, if not quite, to the point of disappearance.

In the four years previous to 1930 the United States acquired on balance well toward five billion dollars in foreign securities, i.e., American investors bought foreign securities to the value of 6,437 million dollars and resold foreigners such securities to the value of 1,585 million dollars leaving net purchases 4,852 million dollars—an average of over 1,200 million dollars a year. The net

purchases in 1930 fell to 459 million dollars or 37.8 per cent of this average. Net purchases during the current year have probably disappeared, resales of foreign securities to foreigners neutralizing and possibly exceeding the limited foreign flotations in the United States so far this year.

This reversal of the movement which has been going on ever since the United States became essentially a creditor nation has been due partly to the decrease in the American purchase of foreign securities in this country and abroad but more particularly to an enormous increase in the resale of foreign securities to other countries. American purchases of foreign securities in 1930 fell over 300 million dollars below the previous four years' average while American resales last year were more than twice the four years' average. The change has been accentuated in the current year. The condition of the American bond market, of course, has been such as to make the flotation of foreign issues highly difficult and the actual volume of such financing has been small. On the other hand, in the past eighteen months or so there has been a repatriation of American-held foreign obligations without parallel in the financial history of the country. This great change in comparative holdings was accentuated with the last half of last year during which period net new capital issues by foreigners in this country amounted to only \$245,370,000.

Such issues during the first half of the current year reached a face value of \$265,441,500 net new capital, American purchases of foreign securities in small lots also have been comparatively small for obvious reasons. On the other hand the resale to foreigners of foreign obligations held in this country in 1930 reached a total of 806 million dollars as reported by foreign



bond dealers to the Department of Commerce in response to the latter's annual questionnaire and all information available indicates that they have proceeded at as rapid a rate during the current year. The total in 1930 was 357 million dollars greater than in the previous year although on a much reduced volume of total security business and was 354 million dollars greater than in any other year's record. These resales of foreign obligations to foreigners represent the taking of a tremendous loss. Buying Brazilian 6 1/4 per cent bonds five years ago at 90 and selling them this year at less than half that price can hardly be considered profitable and this example is not as extreme as others which might be cited in sales of bonds of Bolivia and Peru. Perhaps the worst feature of the matter is that this loss represents a certain amount of panic and lack of confidence on the part of American investors in investments they have made which is not reflected in the same degree in other bond markets.

It is claimed by Italian financial authorities that the bulk of Italian industrial issues placed in this country since the war have been reacquired by Italian investors. This illustrates the situation. Any material depression in the foreign bond market in this country naturally leads to a certain amount of repatriation. When French national issues fall in this market below their current value in France or to a point where, when bought in the American market even at a considerable premium, the high interest rates they bear compare favorably with current interest rates in France itself the French government naturally takes advantage of the situation to buy its bonds for sinking fund purposes; such also being the case with British, Swedish, Danish, Norwegian, Irish Free State and other national bonds and such purchases alone account for a considerable portion of the movement.

When also French railway 7's fall to a comparatively low price as they did shortly after the debacle in 1929 and in 1930 it may be expected that French banks and French investors generally, knowing the value of the bonds as domestic investments, snap them up promptly. This purchase of their own bonds by European investors accounts for another considerable portion of the movement. In recent months there has also been a heavy transfer of Latin American bonds to Europe which reflects a realization on the part of European investors that such obligations are worth more, in general, than American investors regard them. Admitting that the value of such securities is uncertain as a result of current political and economic difficulties, there is yet much significance in the fact that European investors, although beset with domestic financial difficulties, have consistently backed their opinion against American opinion in the matter of such values.

With these conditions obtaining in the American markets a heavy movement of such securities to other countries where they are in more favor has been anticipated and, perhaps, discounted; but it has hardly been anticipated that the volume of the movement should be so great as materially to affect the course of the American balance of payments for the past year with the prospect that it will exert possibly a greater influence upon the international balance the current year. The swing of about 400 million dollars from the credit to the debit column in the international balance is a serious matter even in the stupendous volume of the American-foreign financial turnover. In 1930 no less than 64 per cent of the total volume of foreign securities bought in the United States either in the way of public offerings or of such securities bought in small lots was returned to foreign countries by foreigners in the purchase of their own or other foreign securities in this country. The average for the previous four years was 25.2 per cent.

Net American investments in foreign long term securities during the year which amounted to 1,305 million dollars in 1927 as the banner year fell to a net of 459 million dollars. The record is graphically indicated in the accompanying chart.

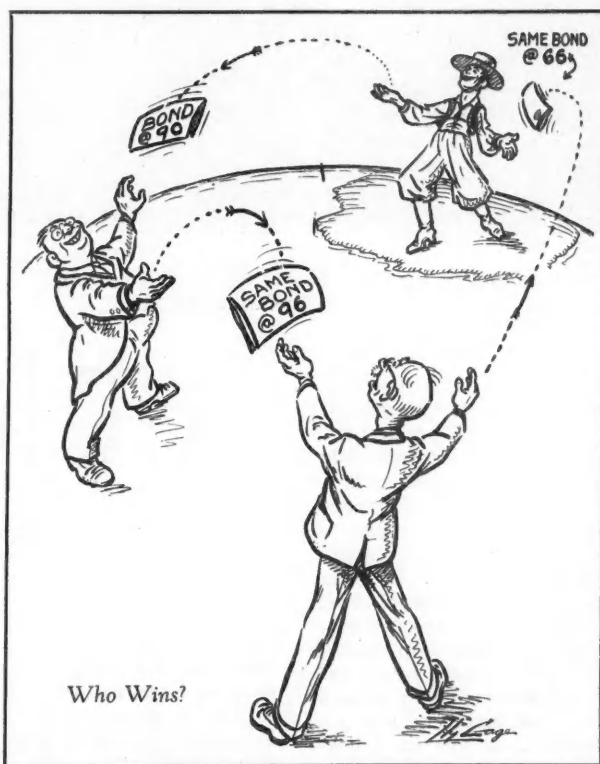
The item of net long term securities investment is not to be confused with the net export of private long term capital in the balance of payments since the latter includes new direct investments of Americans abroad and new investments of foreigners in the United States, transactions back and forth in American securities sold to foreigners, and various reduction allowances in all such items. The net export of private long term capital shown by the Balance of Payments for 1930 was only 290 million dollars in marked contrast with the total of 736 million dollars in 1928. As a measure of the actual increase of American holdings of foreign securities during the year the item of 459

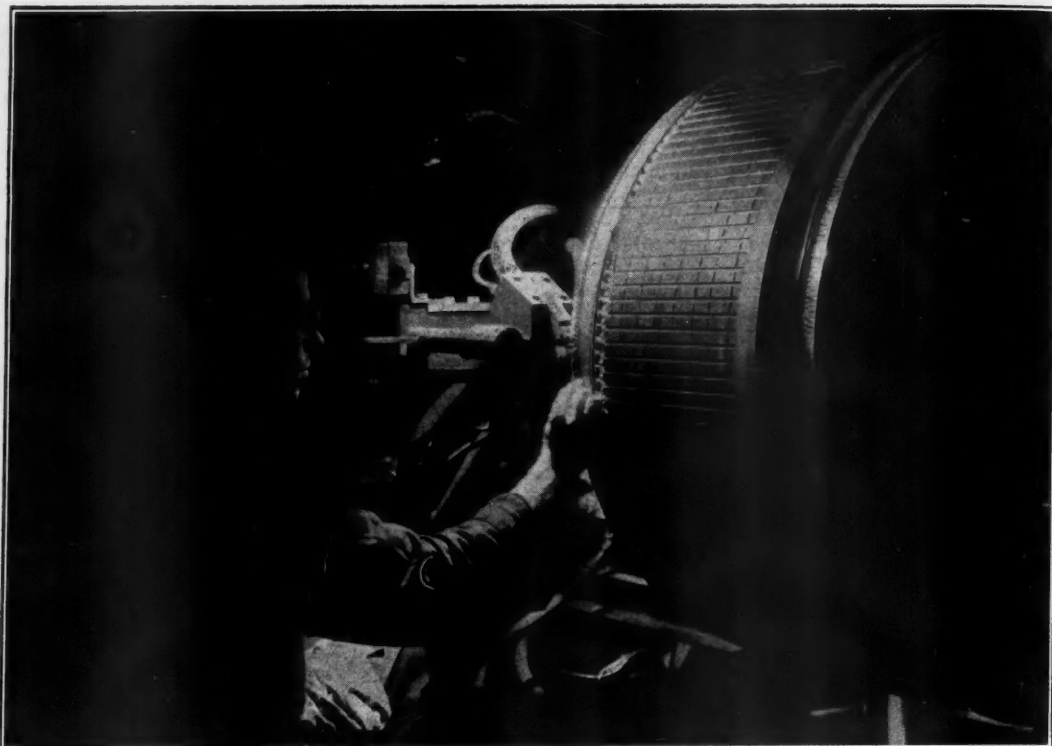
million dollars should be reduced by 123 millions as bond redemption and 127 millions in sinking fund payments received from foreigners during the year—a total of 250 millions, which would reduce the net new American investments in long term foreign securities during last year to 209 millions.

Influenced the Movement of Gold

In some respects the international securities movement and the short term capital movement are, of all items in the international account, the most sensitive in the settlement of international balances, usually preceding gold in adjustment processes and exceeding gold as a balancing item. The repurchase of their securities by foreigners last

(Please turn to page 744)





Courtesy, Westinghouse Electric & Mfg. Co.

"Machinery and Equipment Must Pass the Hawk-Eye of the Inspector Before It Leaves the Manufacturer As Well As When It Reaches the Buyer"

Up to Specifications

When money is scarce and expenditures must be reduced to the minimum, buying becomes more critical—critical not only of price and value but of quality. Nor does this apply only to retail purchases. The buying by industries is a challenge to the quality of the product of every producer. Goods are more carefully inspected and tested in order to make sure that they meet the specifications and requirements of the use to which they are to be put. In many instances this is a very different policy than that which obtained in boom times. In those halcyon days it was a too prevalent custom to buy liberally, not to shop closely, to take quality and perfection largely on faith or reputation. Today the stern hand of necessitous economy dictates rigid inspection. Raw materials must be precisely as per sample, machinery and equipment must pass the hawk-eye of the inspector before it leaves the manufacturer as well as when it reaches the buyer. It is a healthy practice. We have had a surfeit of slap dash mass production practices in this country. Borrowing a little of the deliberate, painstakingly careful procedure of the Europeans will contribute another of the sound foundation blocks on which the structure of returning prosperity must rest.

"It's An Ill Wind—"

Twine manufacturers are not worrying about the big wheat crop in the Southwest. The bigger the crop, the more twine the farmers need in order to tie the wheat into sheaves. And this paradox results: The larger the crop, the lower the price, but larger the demand for twine. The farmer gets less for his crop but the twine manufacturer gets more for his binding twine.

Things

Climbing Back to Prosperity

Correspondence and conversation with business men show that there is a growing belief that so long as business as a whole has no orderly direction it is better to let a depression take its course than to attempt piecemeal nostrums. The thing to do is to stop trying to prevent business in general from getting worse from old causes and to start in anew to make it better in specific enterprises. It appears that just that sort of new prosperity reconstruction is beginning in spots all over the country. Here and there men see chances to make money with things as they are and go to work. For instance, the New England shoe industry, having discovered that people are still wearing and wearing out shoes, finds that business is 20 per cent better than a year ago. Contracts have been let in Chicago for what is said to be the largest office building in the world; directly and indirectly it will give employment to 7,500 men. A cigar plant in South Carolina reports that it has considerably more than doubled its payroll in the last ten months. Two paper mills in Longview, Wash., have recently gone on a 24-hour schedule, and a linen mill at Salem, Ore., reports that it has already sold its entire 1932 output on a 24-hour schedule. The number of active spots will multiply as time goes on and more and more people and more and more capital cease trying to stop sliding and begin climbing.

Freight at 100 Miles an Hour

The Pennsylvania Railroad is now introducing a new type of steel rail that weighs 152 pounds to the yard. A rail seems a simple thing. But after one hundred years of developing it the engineers still find improvements to make. The first rails on American railroads were wooden stringers surfaced with iron straps. In 1830 Col. Robert L. Stevens, president and engineer of the Camden & South Amboy, now part of the Pennsylvania System, went to England in search of iron rails, where they were then using iron rails cast in three and one-half foot lengths, and also some short rolled iron rails with a high web but no base. Such rails had to be held fitted into cast iron "chairs." These, by the way, instead of being spiked to wooden ties were bolted to stone blocks. On the way over Stevens whittled out a model of the T-rail. He had difficulty in persuading British manufacturers to undertake rolling it, but 550 of these rails, 18 feet long and weighing 36 pounds to the yard, arrived in America in 1831. The next consignment were 42 pound rails. Some progress has been made every year since then. The new 152-pound steel rail is "bigger and better" than any of its predecessors and, with ability to withstand axle loads of 100,000 pounds at a speed of 100 miles an hour, is expected to meet all requirements for the next 25 years. Has the motor truck an answer?

Gas by the Gallon

The manufactured gas industry is trying to make up its mind whether the liquefied petroleum gas industry is friend or foe. It doesn't know whether to enlist it in its

one to attract a boom demand on the part of the public for receiving equipment. It may attain this stage, however, within a year or two. The Radio Corp. is reported to have developed a new and improved system capable of transmitting a picture of 240 lines with thirty exposures per second, whereas the best previously obtained was sixty lines with twenty exposures per second. This indicates that television images comparable in quality to those of the modern motion picture can be produced, even though some technical difficulties remain to be smoothed out at the Radio Corp.'s experimental station at Portland, Me. Commercially successful television would revamp the radio industry and possibly cut into motion picture attendance to some extent. It cannot possibly play the economic role of the automobile and, along with mechanical refrigeration, is only one of many new developments needed to impart fresh force to the next upward turn of the business cycle.

In Case of International Swapping

This trade of wheat by the United States for Brazil's coffee, raised the question of how far barter can be substituted for indirect exchange. Perhaps we may yet be trading France pork for facial paint, Germany typewriters for cheese, Italy toothpicks for spaghetti, Switzerland lard for lace, Russia machinery for caviar, Canada oranges for skunk skins. In toto, we might get down to a condition of no barter, no business. The nation that has nothing that other nations will take in trade would be out of luck, unless the trading was progressive. For example: Russia might have no use for Brazil's, but might trade wheat for coffee with a view to trading the coffee with Germany for potash.

On a straight barter basis, exports and imports between two nations would balance, and money would be denied admission to the party. The trouble with international barter

To Think About

own army or turn its machine guns against it. What it does know is that the youngster is growing like a well-fed pup; sales of liquefied petroleum gas were 500,000 gallons in 1926; 18 million in 1930. Out in the country you will see light trucks driving up to farmhouses and unloading cylinders. That's liquid gas being delivered to the farm. Will people in small communities buy their gas by the gallon instead of getting it from pipes by the foot? "Liquid gas merely pioneers for piped gas," say some of the gas people. "Let's boost it, and enlist it to help the battle with electricity." Thirteen million families in the United States who are without manufactured gas constitute the potential market for liquefied gas. Ten per cent of them, according to an engineering bulletin, would buy 70 million dollars' worth of gas a year and put in equipment that would cost 200 million dollars.

It Will Help

Remembering what the automobile did to help lift us out of the depression of 1921, there is an anxious scanning of the scientific skies now for new industries which may possibly exert some similar influence upon business in the next few years. Among the developments looming up ever closer to commercial application is television. Regular television broadcasts already are being made by various radio stations, although the performance as yet is scarcely

is that it assumes that international trade is somehow different from domestic trade. The fact is that ordinarily trade between nations is actually trade between individuals who happen to be under different sovereignties. The individuals of one country may desire more of a certain foreign country's individuals' products than vice versa. The balance must be settled in something the short side can put up that is always acceptable. Today that universally acceptable alternative is gold, and the short side can't produce it. So, we come to this: that international barter, as a general practice, would, besides being impossibly cumbersome, leave the world in the same trade jam that it is in when the gold system fails to function normally.

Long Range Power

With recent developments demonstrating that it is economical to transmit power tremendously long distances, one wonders what effect this will have upon the future industrial and social development of the country. If electricity can be brought from Niagara to New York and natural gas from Texas to Chicago why is it any longer necessary to have these vast conglomerations of humanity known as cities? Perhaps we shall live to see our communities breaking down into smaller units as fuel or industry moves closer to the source of raw materials rather than the sources of power.



SOUTHERN PACIFIC CO.
Oregon Lines 1st "A" 4½s, 1977

Second Mortgage Rail Bond Offers Substantial Yield

Current Market Creates Interesting Investment Opportunity

By RONALD P. HARTWELL

ALTHOUGH railroad securities are not very much in favor at the moment because of the severe manner in which as a group they have been affected by the depression in business, nevertheless, certain underlying and well-secured obligations of the stronger companies may be considered perfectly safe and at recent prices return yields higher than have been obtainable for a number of years. When conditions again approach normal, earnings of the roads will no doubt again recover to a reasonable level and the bonds will show up in their true position. The situation of the railroads during the present year is probably only temporary and therefore the long term outlook especially of the underlying, well-secured bonds of the stronger railroads should not be judged too much from the current poor earnings reports being submitted by the different companies.

A yield of 4.73%, current and to maturity, can now be obtained in the Southern Pacific Co. Oregon Lines First "A" 4½s due March 1, 1977, which are selling on the New York Stock Exchange at about 95½ at the present time. In every one of the past ten years fixed charges of the Southern Pacific system were earned more than twice.

The bonds are secured by a first mortgage on all the lines of railroad (other than street railway lines) owned by the company in Oregon aggregating

about 1,171.69 miles, including part of the main line from San Francisco to Portland. The mortgage will also be a lien, subject to certain equipment trust obligations, on equipment having a depreciated book value as of December 31, 1929, of \$10,977,741, and on all property hereafter acquired from proceeds of bonds issued pursuant to the terms of the indenture.

At present there are outstanding \$61,294,000 principal amount of this issue of bonds, consisting of \$20,000,000 issued in 1927 and \$41,294,000 issued in 1930. The total authorized

be made to the properties mortgaged.

The bonds are redeemable as a whole only on 60 days' notice on any interest date at 105 up to and including March 1, 1972; thereafter at 100 plus a premium of ½% for each six months between redemption and maturity dates, plus interest in each case.

Southern Pacific Co. is the parent company of a rail system of 13,839 miles but with lines operated by affiliated companies, solely or jointly controlled, total mileage comes to 16,914. The main line extends from New Orleans westerly, traversing a territory

rich in mineral and agricultural resources, to Los Angeles, Calif., thence northerly to San Francisco and to Portland, Ore. From San Francisco a line extends eastward to Ogden, Utah. The company operates two steamship lines, one a freight line between Galveston, Texas, and New York, and the other a passenger and freight line between the latter city and New Orleans. This huge holding company, as a matter of fact, forms as a whole the largest and only complete

transcontinental transportation system in the United States today.

As of December 31, 1930, total assets of the Southern Pacific Co. were carried on the balance sheet at \$2,321,512,942. The transportation system properties and equipment alone were valued at \$1,512,792,742 and investments in affiliated companies at \$653,523,754. Against this the company has

Consolidated Earnings Statement Southern Pacific Company

	Gross Revenues	Net Revenues	Fixed Charges Times Earned
1926	\$293,074,553	\$67,185,096	2.36
1927	298,800,998	62,149,272	2.18
1928	297,745,406	67,915,984	2.35
1929	310,969,138	76,628,597	2.63
1930	288,788,128	61,075,562	2.01

amount of Oregon Lines First Mortgage Bonds is limited to \$100,000,000. The balance of the authorized amount may be issued from time to time for construction or acquisition of additional lines of railroads, extensions, branches, and additional main tracks; for refunding underlying liens on after acquired property; and for any possible additions and betterments which might

total funded debt of \$784,672,728.

Earnings in common with the other carriers have been dropping off rather sharply from the peak levels attained in the year 1929, when total gross revenues amounted to \$310,969,138. The 1930 operating revenues of \$258,758,129 were the lowest in a decade, but during the present year they are running below the 1930 levels. For the first seven months this year Southern Pacific showed gross earnings of \$121,643,333, a decline of slightly more than 19% from the \$150,680,173 earned in the corresponding period of the previous year. Net operating income was respectively \$12,559,194 and \$20,073,105 during these two periods. In 1929 net operating income was \$32,559,496.

Analyzing the full year 1930 earnings report we find that out of operating revenues of \$258,758,128, expenses were \$187,644,861, taxes \$19,241,663, hire of equipment and joint facilities rents a net debit of \$8,680,364, uncollectible railway revenues \$82,580, leaving net railway operating income of \$43,108,660. Other income amounted to \$18,845,223, giving total income of \$61,953,883. Miscellaneous rents and rents for leased roads amounted to \$868,291, leaving a net amount of \$61,075,582 for bond interest and fixed charges. Bond interest alone was \$28,816,752, so that earnings were equivalent to 2.11 times these charges, but interest and fixed charges together were earned only 2.01 times. These compare with 2.72 and 2.63 times in 1929.

With sharply reduced earnings during the current year, the margin over interest and the fixed charges will be considerably lower. Based on the results of the first seven months this year fixed charges will probably not be earned much over 1.50 times. The management, however, is effecting many economies and cutting down its expenses. The physical condition of the properties have always been maintained at a high standard. When general business conditions, therefore, begin to improve and a normal volume of traffic moves over its lines, this can be handled expeditiously and probably at less cost than before.

The Oregon Lines First Mortgage Bonds occupy a secure position in the system's capitalization and are the type of security which may be purchased with the idea chiefly of obtaining income. The return of normal conditions will uniformly strengthen the position of Southern Pacific bonds and this particular issue when this time arrives will probably sell several points above their present level. This development at the moment does not seem imminent but may be expected over a reasonable period of time.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current In- come	Yield to Maturity
New York Central Deb. 6s, 1935.....	630.2	1.54	110	106	5.7	4.2
Atchison, Top. & S. Fe 4s, 1955.....	273.3	3.77	110	97	4.1	4.2
Illinois Central 1st 4s, 1961.....	1.5	(N)	95	95	4.3	4.4
Southern Pacific 1st 4s, 1955.....	12.4	2.0X	105	94	4.3	4.4
Pennsylvania Gen. 4½s, "A," 1985.....	184.0	1.9	(N)	99	4.6	4.6
Rock Island-Frisco Terminal 1st 4½s, 1957.....	(d)	X	102½T	98	4.7	4.9
Pennsylvania 5s, 1964.....	1.61	102T	102	102	4.9	4.9
Central Pacific Guar. 5s, 1960.....(a)	1.91	105 ('35) T	100	100	5.0	5.0
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1962.....(b)	14.2	X	107½T	107	5.6	5.4
Chic. & W. Indiana 1st Ref. 5½s, 1962.....	49.9	X	105	98	5.6	5.6
Great Northern Gen. A 7s, 1936.....(b)	139.8	1.98	105	105	6.6	5.7
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.12	110 ('38)	102	5.9	5.9
Balt. & Ohio Ref. & Gen. 6s, 1985.....(a)	285.3	1.64	107¼A ('34)	102	5.9	5.9

Public Utilities

Pacific Gas & Elec. Gen. Ref. 5s, 1942..	29.0	2.67	105T	105	4.5	4.4
Indiana Natural Gas & Oil Ref. 5s, 1939	....	3.02	....	102	4.9	4.5
Utah Power & Light 1st 5s, 1944.....	....	2.36	105	103	4.9	4.7
Consol. Gas of N. Y. Deb. 5½s, 1955.(a)	121.1	5.51	106T	107	5.1	4.8
Montana Power Deb. 5s, 1962.....(a)	33.3	2.25	106T	102	4.9	4.9
Arkansas Power & Light 1st & Ref. 5s, 1956.....	2.0	2.26	105	99	5.1	5.1
Columbia Gas & Elec. Deb. 5s, 1958.....	....	3.97	105T	99	5.1	5.1
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A".....	8.4	2.79	110	106	5.6	5.3
Hudson & Manh'n 1st Ref. 5s, 1957.....(b)	5.9	1.53	105	95	5.2	5.3
United Lt. & Ry. 1st Cons. A 6s, 1952.....(b)	11.3	2.15	(N)	107	5.6	5.4
New Orleans P. S. 1st & Ref. A 5s, 1955.....(a)	9.7	1.37	104	98	5.4	5.0
Duke Power 1st 5s, "A," 1966.....	36.7	1.41	105½T	103	5.5	5.8
Standard Gas & Elec. 6s, 1935.....	432.2	1.42	105	100	6.0	6.0
Amer. W. Wks. & El. Deb. 6s, 1975.....(a)	12.7	1.42	110	99	6.1	6.1
Standard Gas & Elec. 6s, 1966.....(b)	432.2	1.42	105T	97	6.2	6.2

Industrials

Midvale Steel & Ord. Conv. Coll. 5s, 1936.....	....	4.34	105	102	4.8	4.3
Allie Chalmers Deb. 5s, 1937.....(a)	....	5.39	103T	102	4.9	4.6
Gulf Oil Deb. 5s, 1947.....(c)	....	2.99	104AT	102	4.9	4.8
Sinclair Pipe Line 5s, 1942.....(a)	....	5.30	103	102	4.9	4.8
United Drug Deb. 5s, 1953.....(b)	1.7	11.73	105	101	4.9	4.9
National Dairy Prod. Deb. 5½s, '48.....(a)	....	7.62	105T	101	5.2	5.1
Youngstown Sh. & Tube 1st 5s, 1975.(a)	....	2.93	105T	98	5.2	5.2
Lorillard, P., Deb. 5½s, 1957.....	19.9	2.82	101¼	99	5.6	5.7

Short Terms

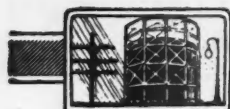
Humble Oil & Ref. Deb. 5½s, '33.....(b)	....	7.94	102¼A	102¼	5.4	..
Smith (A. O.) 1st S. F. 6½s, 1933.....(a)	....	22.76	101T	102¼	6.3	4.8
Middle West Utilities 5s, 1933.....	881.6	1.42	101¼	99	5.2	7.5

Convertible Bonds

Am. Tel. & Tel. Conv. 4½s, '39.....Com.@175.4	6.10	105	126	2.6	..
Atch., Top. & S. F. Deb. 4½s, '48.....Com.@162.6	3.77	102	111	4.1	3.6
N. Y., N. H. & Hart. 6s, '48.....Com.@100	1.92	....	110	5.5	5.1
Texas Corp. 5s, 1944.....Com.@70	3.34	102T	95	5.3	5.5
Baltimore & Ohio Conv. 4½s, '60.....Com.@130	1.64	105	76	5.9	6.3
Inter'l Tel. & Tel. Deb. 4½s, '39.....Com.@63.9	2.27	102¼	83	5.4	7.8

All Bonds are in \$1,000 denominations only, except (a) lowest denomination \$500, (b) \$100.

* On total funded debt. A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (N) Not callable until 1947.



UNITED LIGHT & POWER "A"

Diversified Territory Affords Protection

Per Share Earnings Reinforced by Liberal Maintenance and Reserve Provisions

By FRANCIS C. FULLERTON

RANKING as one of the largest and also one of the most diversified public utility holding companies, United Light & Power Co. presents reasonably attractive possibilities for the investor in its equity shares over the longer period. Identified with this particular utility undertaking are some of the most powerful financial interests in the country, an important factor in future moves in the utility industry.

The present United Light & Power Co. was organized late in 1923 as the successor to the United Light & Railways Co. which was incorporated in 1910 and from which the new company acquired its holdings in various subsidiaries. At that time, 1923, the total gross earnings of the system were only some \$12,500,000, but as the result chiefly of the acquisition of two other large utility systems and also of internal expansion and growth of properties, United Light & Power has developed into a corporation with gross earnings in excess of \$90,000,000.

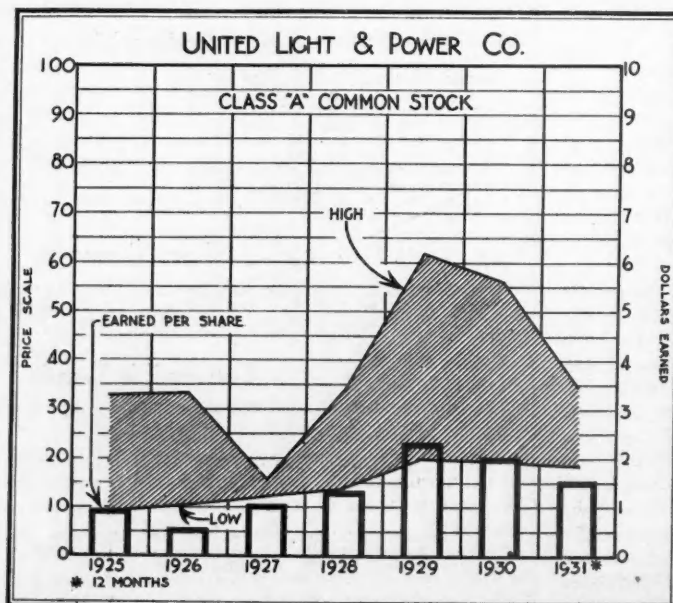
The era of large scale expansion, indeed, was inaugurated in 1924 when control of the Continental Gas & Electric Corp. was obtained, prac-

tically all of the common stock now being owned. Through this move, United Light acquired properties larger than itself and boosted its gross revenues to beyond \$34,000,000. A more spectacular move, however, was the acquisition in 1928 of control of American Light & Traction Co. which had gross earnings that year of more than \$41,000,000 thus again doubling the earnings. Although the operations of American Light & Traction are now included in the consolidated earnings report of United Light, the latter barely controls the voting stock of the former—1,517,344 shares out of a total

2,767,283 shares of the common stock or 54.7%, and 202,528 out of a total of 536,324 shares of preferred stock or 37.7%. As each share of preferred has equal voting power with each share of common, both must be considered together in determining the extent to which control is held and this now amounts to approximately 52%.

However remarkable the growth of United Light as a utility holding company system has been, behind the scenes there have occurred on two separate occasions changes in control in the past five years. While the calm and serenity on the surface may give little indication of a struggle that is going on in the management or of differences of opinion in policy between opposing financial groups represented in the company, the situation sooner or later comes to a head with one particular grouping emerging as the dominant factor.

Back in 1925, United Light was involved in one of these affairs in which control changed hands, clinched by a coup in the market crash early in 1926. Up to this time Frank Huls-
witt was the moving spirit in the affairs of the company, but



when the system passed into the hands of the so-called Otis-Eaton group, Hulswit was retired and organized a new company, American Commonwealth Power Corp., which he has since expanded into a large utility holding company and in which he placed his holdings of the Class "B" or voting stock of United Light. These constituted only a minority interest and were insufficient to obtain representation on the board of directors of United Light.

Five years later another shift in control occurred. Continental Shares, Inc., the Otis-Eaton investment trust which held a block of 448,667 or about 42% of the class "B" or voting stock of United Light & Power, changed hands and with this came a shift in United Light & Power. Interests identified with the Chase National Bank became affiliated with the board of directors and Frank Hulswit staged a comeback by being elected a director to represent the 105,950 shares of class "B" stock, about 9.9% of the total outstanding, held by American Commonwealth Power. The Mellon-Koppers group remain as a large factor in the company.

The properties of the United Light system extend over twelve states, all located geographically in the Mississippi Valley or in the Middle West and serve important industrial and manufacturing areas as well as rich agricultural sections. The cities and communities served number 907 and have an aggregate population estimated at 5,350,000. Among the cities provided with one or more types of public utility service are Columbus, Ohio; Kansas City, Mo.; Lincoln, Neb.; Davenport, Cedar Rapids, Fort Dodge and Iowa City, Iowa; La Porte, Ind.; Chattanooga, Tenn.; Rock Island and Moline, Ill.; San Antonio, Texas; Detroit, Grand Rapids, Muskegon and Ann Arbor, Mich.; and Milwaukee and Madison, Wis.

United Light & Power derives by far the larger part of its income from the sale of gas and electricity, these services in 1930 accounting for about 37% and 42%, respectively, or together 79% of the total gross revenues, and for 29.6% and 47.2% of the net revenues of the company. Coke and

by-products sales contributed about 5% of the gross and 2.3% of the net; railway service about 7% of the gross and 0.3% of the net; heat about 1.0% and 0.7%, respectively; the sale of merchandise and appliances 0.8% and 2.2%, respectively; and miscellaneous revenues including dividends and interest received contributed 7.1% of the gross and 17.7% of the net earnings.

Earnings Decline Checked

Despite the highly diversified character of the system's territory and nature of demand which would tend to stabilize the earnings, United Light's gross revenues have been dropping off gradually since the latter part of 1930, but now appear to be approaching a bottom from which very little change

663; taxes were \$7,988,049, about the same as before; while depreciation at \$8,699,918 was higher by \$891,866. The net earnings from subsidiary and controlled companies for the most recent period were \$32,421,608 which compares with \$34,261,543 for the April 30, 1930, period.

After interest, preferred dividends, amortization, minority interests and after crediting other income, there remained for the parent company \$12,345,639 in the twelve months' period ended June 30, 1931. Deducting holding company interest and preferred dividends, the net for the common stock amounted to \$5,358,860 or \$1.54 a share on the average number of class "A" and class "B" shares outstanding during the period.

The peak earnings attained per share were for the twelve months' period ended June 30, 1930, when it amounted to \$2.40 a share, and has been dropping gradually since that time. The equity shares of course, reflect most fully the declining earnings brought about by depressed general business conditions because they are entitled to the residual after taking care of the more or less fixed charges of bonds and preferred issues preceding it in the scheme of capitalization. By the same token, however, when a rising trend in earnings is again established, the increase in earnings per share should be rapid, particularly in view of the increased efficiency of operations which have resulted in large savings in expenses.

In appraising the earning power of a utility equity it is important to consider the policy pertaining to maintenance and depreciation. United Light's maintenance charges in 1930 of \$5,679,838, which while not as great as in 1929, were sufficient to fully maintain the properties. As a reserve for the replacement of worn-out, obsolete or inadequate items of property (depreciation), the management set aside \$8,458,812. Together maintenance and depreciation were equivalent to about 15% of the gross earnings, a liberal ratio in utility practice. Actually, the company took out of service during the year property of a total cost (Please turn to page 746)

Record of United Light & Power Co.

	1929	1930	1931 (12 mos. ended June 30th)
Gross Revenues	\$96,300,648	\$94,489,476	\$91,473,050
Operating Expenses	40,193,661	38,520,446	37,219,788
Maintenance	6,469,121	5,679,838	5,148,866
Taxes, General and Income	8,188,223	8,178,270	7,988,049
Depreciation	7,507,862	8,458,812	8,699,918
Net Earnings	33,841,782	33,652,108	32,421,608
Equity of United Lt. & Power	12,246,832	12,847,060	11,973,326
Other Income	934,468	1,007,523	372,313
Balance for United Lt. & Power	13,181,300	13,854,582	12,345,639
Available for Common Stocks	7,502,136	6,893,837	5,358,860
Earned per Share—average number of A and B shares outstanding	2.32	2.01	1.54
Electric Sales—Thousands K. W. H. ...	1,414,793	1,445,486	NF
Gas Sales—M cu. ft.	46,533,778	45,702,081	NF

NF—No figures available.

need be expected even if business continues at present low levels, but at the same time from which recovery may be fairly rapid if business in this country starts improving. The peak of gross earnings was reached in the twelve months' period ended April 30, 1930, when they were reported at \$96,907,630 but since then have dropped off rather steadily until for the twelve months ended June 30, 1931, gross was only \$91,473,050.

Operating expenses, incidentally, have been cut but not to the extent of the drop in gross earnings. For the twelve months ended June 30, 1931, these amounted to \$37,219,788 a drop of \$3,277,098 from those for the twelve months' period ended April 30, 1930, which compares with a drop of \$5,434,580 in gross earnings. Maintenance charges for the recent period were \$5,143,686, or lower by \$1,149,

Bank Stocks for Long Pull Investments

Equities in Selected Strong Institutions Can Be Acquired More Advantageously Than in Years with Excellent Prospects for Ultimate Profit.

By J. C. CLIFFORD

IF, as Baron Rothschild is popularly supposed to have stated during the French Revolution, the time to buy French *rentes* was when the streets of Paris were running with blood, then the present would appear equally appropriate for purchasing the stocks of intrinsically sound banking institutions. For while the best of them are trembling with fright and bleeding, albeit superficially from a dozen wounds, they are not hurt as badly as they believe. Their main suffering is caused by overpowering fear.

As is brought out in the article on Banking Courage on page 701, bankers are fearful of lending money to business, for business is poor. Business is poor for it cannot get money. And the banking business is in low estate because credit is not being extended. This has not unnaturally been communicated to the investor and prospective investor who, taking the banks' deprecatory attitude at its face value, are loath to commit themselves to either the banking business, or any other business for that matter.

Even though it is contended that the underlying cause of the banks' present troubles is psychological, it cannot be denied that their mental attitude has been conducive to certain concrete ills, which, while temporary in character, are very real factors at the moment. Theoretically easy money rates were never in fact harder than is the case today, which means that despite the possession of vast hoards of money the banks can find few borrowers with which they are willing to entrust it. True, they are now paying less for their funds, but the gain in this direc-

It is old and homely, but true counsel that the largest profits are made in "buying them when nobody else seems to want them." "Them," in this instance, may be taken to mean bank stocks if the selection is confined to strong and sound issues of high repute.

tion has been far from sufficient to offset the rate which they in turn obtain and above all the lack of loan volume. Again, the bond market has declined steadily and many banks must be carrying fixed income obligations at a paper loss. Other bonds have defaulted and the bank unfortunate enough to have such securities in its investment portfolio must have lost interest together with a great part of the principal. In addition, the decline in the stock market undoubtedly has resulted in a number of collateral loans becoming frozen assets for the time being. Finally, those activities outside the strictly banking field such as trust services and the distribution of securities have probably made a disappointing showing compared with the boom years 1928 and 1929.

Back to Earth

Nevertheless, it is just because the banks have been hard hit and there have been a number of spectacular failures that their stocks as a whole present a more favorable opportunity for the investor than at any time in a number

of years. Representative bank stocks are now selling closer to an industrial basis than has been the case since the early part of 1928. It will be remembered that the boom in these issues put the ordinary stock market boom to shame on every count. There never was such a rise, such merging, such expansion, such enthusiasm — and later such a crash. Now, however, the inflation has all evaporated. The expansion is being consolidated. Every conceivable internal economy is being put into effect, and the banking fraternity is recovering from the most glorious "jag" that, in all probability, it will ever experience.

While it is undoubtedly true by and large that bank stocks can be bought advantageously at the present time, this is not to say all banks stocks. Neither is it to say that they are suitable for every investor. Bank stocks have certain characteristics which should be thoroughly weighed before actually committing oneself. In the first place they should be considered more in the nature of a permanent investment than any other security purchase, for banks in normal times tend to grow slowly and consistently with an increasing population and the expanding business needs of the country. It should also be remembered that bank stocks are not as a rule good collateral. The market for them is apt to be thin and wide, making a purchase on an outright basis the only satisfactory course to follow. Finally more care should be taken in selecting an individual bank stock than any other investment medium.

The need for the greater than usual

care in choosing a bank stock is made necessary because so much must be taken on trust, even by the expert. It is impossible to discover by an examination of the statements available whether the loaning policy of any specific bank is conservative, whether reserves are adequate to cover possible contingencies, or whether any security affiliate is, or is not, in a sound position. In regard to the latter, however, the veil of secrecy which previously surrounded the activities and fortunes of these affiliated companies is gradually being lifted. Where this has occurred, it has undoubtedly improved the market position of the stock of the particular bank, for the public in its present frame of mind has tended to the not entirely unfounded belief that all such subsidiary companies were in desperate plight. While this is surely not so in many cases, the removal of all doubts concerning the real situation has undoubtedly proved beneficial.

Four Choice Selections

For those who conclude that bank stocks offer a suitable investment medium for their funds, a number of issues have been selected for specific mention. There are of course any number of others equally worthy of consideration but all cannot be taken and it is believed that the ones actually chosen are among the best in the field for current investment. New York bank stocks have been selected, for it is supposed that they will have a wider general appeal. It may be said also that they usually enjoy a more active market over-the-counter than the stocks of financial institutions in smaller towns, although the latter may be just as sound.

The Chase National Bank of the City of New York is the largest bank, from practically every standpoint, in the world. At the end of 1930, deposits in excess of two billion dollars were held, a world's record and, while there has been a falling off during the past six months, the bank still holds its predominant position. Growth in re-

cent years may be attributed largely to mergers. Among the most important of which was the acquisition of the National Park Bank and the American Express Co. in 1929 and the Interstate Trust and Equitable Trust in 1930.

In addition to its banking business, Chase has a number of other interests. These for the most part take the form of affiliated companies. For example, the Equitable Trust Co. of New York was formed in 1930 to preserve the title of the old Equitable Trust, which Chase absorbed, and to carry on certain trust business. Then there is the Chase Securities Corp. which was formed in 1917 to underwrite, hold and deal in securities of all sorts. This company was recently in the public eye when it acquired the old banking house of Harris, Forbes & Co.

Like the Chase National Bank, the Guaranty Trust Co. has grown phenomenally, and it now is the largest trust company in the United States and one of the great banking institutions of the world. It too has a security affiliate—the Guaranty Co.—which carries on a business similar to that of the Chase Securities Corp. In comparison with its larger contemporary, however, Guaranty Trust Co. has participated in few mergers, although its consolidation with the National Bank of Commerce in the early part of 1929 was one of the most important bank mergers of the year.

For those who do not believe the distribution of securities to be among a bank's proper functions there is the Central Hanover Bank & Trust Co., which stresses this fact in its advertising: "no securities to sell." The company, which represents a well-planned merger between the Central Union Trust Co., a pioneer in corporate trusts and the Hanover National Bank, a specialist in personal trusts, is famed for its extreme conservatism.

The President and Directors of the Manhattan Co.—to use the legal title—is the oldest bank of the United States and has rather a curious history. It was formed in 1799 as a water company to supply the City of New York

Its charter was broad and among other things the company was empowered to use its surplus funds for any moneyed transaction or operation "not inconsistent with the constitution or laws of this State or of the United States." It was under this clause that the company conducted its banking business, following the sale of the water division to the city. In 1929, however, it became a holding company, having almost 100% direct or indirect control of the Bank of Manhattan Trust Co., International Acceptance Bank, Inc., International Manhattan Co., and the New York Title & Mortgage Co., which in turn controls National Mortgage Corp. and the County Trust Co. of White Plains, N. Y. The first of these subsidiaries carries on a domestic banking and trust business, the second is engaged in foreign business, including exchange and collections abroad, the third deals in securities, while the two mortgage companies lend money on real estate and issue first mortgage certificates and title insurance. The County Trust Co. pursues a banking and trust business.

Earnings on Depression Basis

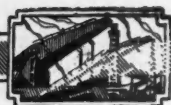
As has been stated before banks have been severely hit by the present depression. Neither the Chase, Guaranty, Central Hanover nor the Manhattan Co. have escaped it. It may be reiterated, however, that stock prices have declined much more than intrinsic merit. The extent to which the companies have been affected may be seen from recent earnings statements. Chase, for example, showed indicated earnings for 1930 equivalent to \$4.50 a share on the average number of shares outstanding, whereas after deduction of reserves a deficit of \$2.49 a share was indicated for the first six months of 1931. On the other hand, Guaranty which made no special write-offs reported \$11.09 a share for the first six months of the present year, whereas earnings for the full year 1930 were equivalent to \$25.34 a share. Like the Chase, the Central Hanover by trans-

(Please turn to page 742)

Statistical Comparison as of June 30, 1931

	Capital 000 omitted	Surplus & Un'd Profits 000 omitted	Deposits 000 omitted	Par Value	Book Value	Current Price	Ratio Book Value Price	Earned per Share 1st Half 1931	Divi- dend
Chase National Bank	\$148,000	\$176,581	\$1,897,544	20	58	55	.96	2.49 (D)	4
Guaranty Trust Co.	90,000	208,427	1,343,933	100	332	405	1.22	11.09	20
Central Hanover Bank & Trust....	21,000	83,631	647,206	20	109	193	1.93	0.47 (D)	7*
The Manhattan Co.	40,281 (A)	112,094 (A)	469,060† (A)	20	76 (A)	55	.72	4.87 (B)	4

(A)—Dec. 31, 1930. (B)—Full year, 1930. (D)—Deficit after reserves. * Including extras. † Deposits of Manhattan Trust Co. only.



Low Price Dividend Payers of Investment Merit

Deflation has wrought some striking changes in investment habits. The average investor, entranced by possibilities of appreciation in 1928 and 1929, is now inclined to give close study to the factor of dividend yield. There is a particular interest in stocks which offer a good current yield, which have promise of probable appreciation in any period of normal business recovery and which are low enough in dollar price to fit the taste of small buyers. The number of such stocks which can safely be included in a list of this kind is relatively small. Six suitable issues are analyzed on the accompanying pages and are followed by brief listing of eight other stocks, more fully discussed in recent issues.

Louisville Gas & Electric Co.

THE public utility industry is the one field of business which has impressively withstood the assault of depression and maintained earnings with little or no set-back. The last year's demonstration of its soundness has materially enhanced the standing and prestige of the industry's senior securities and has confirmed the merit of many equity shares.

The decline of the latter in most instances is merely a stock market development, without relation to the future outlook, making it possible for the first time in years to acquire utility equities at reasonable prices. Among these a particularly attractive issue is Louisville Gas & Electric Class A stock. The dividend yield at recent quotations is about 6%, the rate being \$1.75 annually.

This figure is reasonably well covered, earnings on combined Class A and Class B stocks in 1930 having been \$2.35 a share, against \$2.39 in 1929. So far this year both gross and net earnings have been showing modest gains over 1930. The Class A shares have preference over the

Recent Price
\$29

Dividend
\$1.75

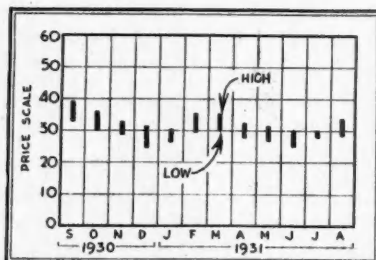
Yield
6%

Class B shares in dividends to the extent of \$1.50 a year, after which both share alike.

The company's record is one of consistent growth. It serves Louisville, Ky., and surrounding communities. It is predominantly an electric enterprise, approximately 72% of its revenues coming from this source and the rest almost entirely from natural and artificial gas. The company's power resources are chiefly hydro-electric, created by the canalization of the Ohio River. It is buttressed by steam-electric generating plants, however, and, through ownership of its own coal mines, is assured of an economical supply of fuel.

Through ownership of most of the Class B shares, which carry voting power, Louisville Gas & Electric is controlled by the Standard Gas & Electric Co.

It would appear then, in addition to an attractive yield, that the Class A shares enjoyed the possibility of price enhancement in the event that the holding company should wish to round out its control at some future date.



Socony-Vacuum Corp.

THE recent merger of the Vacuum Oil Co. with the Standard Oil Co. of New York, forming the Socony-Vacuum Corp., gives the investor an opportunity to acquire equity representation in one of the world's largest and best integrated oil enterprises at very low dollar

Recent Price
\$17

Dividend
\$1.60

Yield
9.4%

cost. The new company has recently paid an initial dividend of 40 cents a share, apparently continuing the old

Standard Oil of New York rate of \$1.60 a year.

This rate at recent market quotations would offer a yield of 9.40%. Such a rate is obviously high for a Standard

Oil stock and naturally raises some question as to its continuance. It is worth noting, however, that if the distribution is cut to \$1 the yield would still be almost 6%.

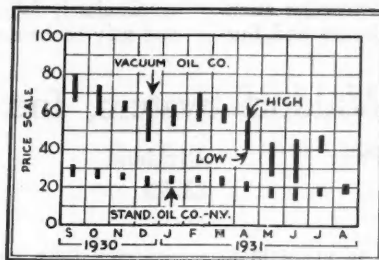
Assets of the company total \$1,000,000,000. It is capitalized at 31,923,072 shares of \$25 par value stock. Funded debt is \$97,829,500. Neither of the two constituent companies issued interim reports and information as to current earnings is unavailable. Excluding certain non-recurring profits of Standard Oil of New York, combined earnings in 1930 were equal to approximately \$1.15 per share on present capitalization.

Thus 1930 earnings were less than the present dividend rate and there has probably been further recession this

year. The constituent companies, however, have a long record of conservative dividend payment and the new company is understood to have cash and marketable securities totalling approximately \$60,000,000.

Recent developments in the industry point to a reversal of drastic overproduction and a substantial improvement in the profit margins of the best integrated companies. Socony-Vacuum is well entrenched in the Eastern gasoline market, plays a large part in the export business, particularly in the Far East, and through Vacuum has a leading role in lubricants.

While the dividend cannot be considered assured, it is believed any reduction would be temporary.



Pillsbury Flour Mills, Inc.

A LIMITED number of products of American business are so essential to our daily lives and have become so familiar to us through long-established trade names that their production and sale are only affected moderately, if at all, by depression. Stocks of companies in this class, if available at attractive prices, merit attention. Such an issue is the common stock of Pillsbury Flour.

The business of making and selling "Pillsbury's family of foods," including "Pillsbury's Best Flour," "Pillsbury's Pancake Flour," "Pillsbury's Health Bran" and "Pillsbury's Farina," dates back to 1872. The present corporation was organized in 1923. Descendants of the founder of the enterprise are still prominently identified with the management.

The company occupies a relatively stable position, owing to the essential nature of its chief products, to the attention

Recent Price
\$26

Dividend
\$2

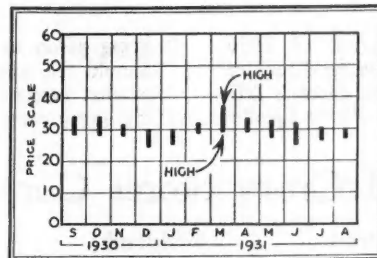
Yield
7.7%

which has been given the development of the packaged goods trade and to the conservatism and efficiency of

the management. All this is reflected in the maintenance of satisfactory profits even under present conditions. Earnings for the year ended June 30, 1931, were equal to \$3.60 per share, as compared with \$4.05 for the preceding year.

It is the expectation of the management, as expressed by Charles S. Pillsbury, vice-president, that the \$3.60 figure will at least be equalled, if not slightly bettered, in the present fiscal year. On this basis the \$2 dividend rate is covered by a generous margin and appears safe. The yield at recent prices is 7.7%. There is no preferred stock. The funded debt of subsidiaries is \$7,135,700.

The present company has never paid a dividend in excess of 60% of earnings, so that earned surplus is now \$8,906,294 or \$16.22 per share.



Burroughs Adding Machine Co.

THE Burroughs Adding Machine Co. and its predecessor company, the American Arithmometer Co., have for thirty-six years maintained an unbroken record of paying regular and extra dividends. In addition shareholders have been rewarded with generous stock distributions. A 400% stock dividend in 1929 was equivalent to a five-for-one split up, with the result that 5,000,000 shares of no-par value stock are now outstanding. The company has no preferred stock and no bonded debt.

Earnings for 1930 amounted to \$1.50 per share, as compared with the record high of \$2.34 in 1929. Equivalent earnings on present stock for 1928 were \$1.66 per share. Figures on 1931 earnings are not available but they are understood to be at a rate sufficient at least to cover the regular dividend of \$1 per share. Dividend

Recent Price
\$22

Dividend
\$1

Yield
4.5%

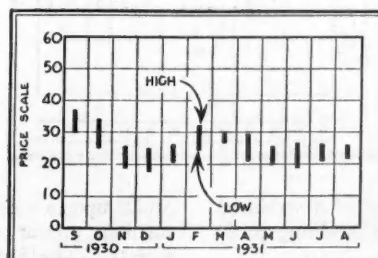
policy is liberal, the regular rate having been increased from 80 cents to \$1 shortly after the 400% stock divi-

dend in 1929. Last January an extra of 50 cents was paid.

Whether this extra will be continued no doubt depends upon earnings. On a \$1 basis, however, the issue yields 4.5%. On such a basis the stock might appear a trifle high, but the price takes into account a very strong financial position and excellent trade prospects in any period of normal business activity.

The latest balance sheet of the company shows cash and Government securities of nearly \$17,000,000. Current assets are \$31,606,903, as compared with current liabilities of only \$2,326,771, a ratio of better than 13

to 1. Burroughs covers a broad field. It makes all kinds of business and office equipment. (Please see next page.)



for SEPTEMBER 19, 1931

Among the fifty or more different styles of machines made by the company are to be found adding, accounting and cash recording devices. It has recently made many of its machines available in color in addition to the black which had previously been the standard finish. Particular attention is paid to the development of new devices and Bur-

roughs is undoubtedly among the forefront of the field in this respect. It is reported that the recent sales of a new cash machine and a new combination bank machine have made steady gains, although the company's business as a whole closely follows the curve of general business activity and may be expected to do so in the future.

Waldorf System, Inc.

DEPRESSION may have tightened the belt of the American public but it still eats and it is possible for a well-managed restaurant chain to maintain its business and profits. This is particularly true of restaurants of the popular-price class, catering, as they do, to customers for whom economy is a prime consideration. An outstanding leader in this field is Waldorf System.

This company has recently retired the last of its outstanding preferred stock, leaving no obligations ahead of the 461,610 shares of no-par value common stock with the exception of \$1,106,500 in mortgage notes. Waldorf is one of the few enterprises able to show an expanding profit trend under present conditions. Earnings available for the common shares for the first six months of this year amounted to \$1.28, as compared with \$1.23 per share for the corresponding period of 1930.

Thus, the greater part of the full year dividend requirements have been covered in six months and there is little doubt that 1930 earnings of \$2.63 per share will be equalled

Recent Price
\$23

Dividend
\$1.50

Yield
6.5%

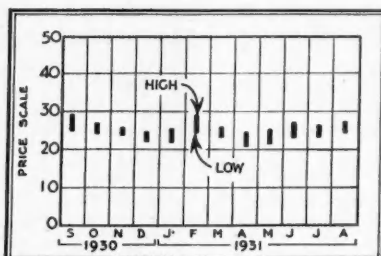
or bettered this year. On this basis the \$1.50 dividend appears safe and the yield of 6½% is attractive.

Favored by stability of earnings and the prospect of gradual expansion, the stock has staunchly resisted the down-pull of the bear market. Slow movement, however, has been characteristic of it in either direction. Nevertheless, it has sold as high as 36 in the past and in a good market would not be over-priced at 30. Such appreciation, although modest in points, would be substantial on a percentage basis and this possibility adds to the attraction of high yield.

The company was organized in 1919 with 58 restaurants. It has since opened a number of others and acquired several chains, with the result that 153 restaurants and lunchrooms are now operated. These are located chiefly in New England but attention

is being given to active expansion in other states.

Should the contemplated expansion be carried out, the somewhat pessimistic predictions as to the stock's activity might easily prove far from correct.



McCrary Stores Corp.

THROUGH a number of subsidiaries, the McCrary Stores Corp. conducts a "Five-and-Ten-Cent-Store" business and is one of the leaders in this field. It is at present operating 242 stores in New York, Pennsylvania, Indiana, Nebraska, Massachusetts, Tennessee, West Virginia, Georgia, Florida, Virginia, Ohio and Michigan.

One of the outstanding characteristics of this business is its stability, due chiefly to the low unit price and the essential nature of the merchandise dealt in. The "Five-and-Ten" store chains have withstood the depression with flying colors, maintaining both sales volume and profits in satisfactory manner. The largest problem which enterprises of this kind have had to face is the decline in commodity prices.

It has been met with rapid turnover of inventory. Since the sharpest part of the commodity slump appears to be behind us, this problem should begin to be less important and the prospect of a stabilized price level before very long enhances merchandising profit possibilities.

The McCrary stores were steadily expanded for the ten years ending with 1929, sales in that year amounting to \$44,703,965, as compared with only \$14,199,346 in 1920.

Recent Price
(Common)
\$39

Dividend
\$2

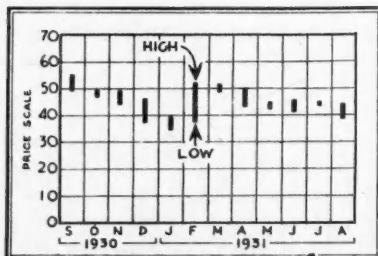
Yield
5.10%

The addition of stores year by year, however, is a costly matter and in 1930 the company wisely decided to concentrate upon consolidation of its position and the improvement of operations in existing stores. The possible effect of this policy upon profits is not yet clear, the period of depression perhaps not constituting a fair test.

In seven years of expansion after 1920 McCrary's net income more than quadrupled, amounting to \$5.26 on the combined common and Class B in 1927. Since then the trend has been moderately downward, per share earnings amounting to \$4.61 in 1928, \$4.28 in 1929 and \$3.60 in 1930. Incidentally, there is no difference between the common stock and the Class B stock, except that the latter has no voting power and a choice between them depends solely on the individual investor.

Although the longer range outlook for the company depends upon the ability of the management to expand

profits upon a satisfactorily maintained sales volume, present earnings appear safely in excess of the dividend of \$2 a year. The financial position is favorable. Inventories have been sharply reduced in the last year and current assets are \$7,100,000, including \$1,075,000 cash, as compared with \$1,654,000 in current liabilities.



Additional Dividend-Paying Stocks of Low Price

(Previously analyzed more fully in recent issues)

Bohn Aluminum & Brass

Recent Price	Dividend	Yield
\$34	\$1.50	4.4%

BOHN ALUMINUM is commonly known as an automobile accessory company but less than half of its business now falls in this category. A carefully planned effort to broaden the base of the company's operations has met with substantial success, particularly in the manufacture of metal products for the construction industry. Its motor accessory business is well entrenched. The dividend is generously covered, profits for the first half of 1931 being \$2.63 per share, and a larger disbursement is expected should the present profit trend continue.

United Corp.

Recent Price	Dividend	Yield
\$20	\$0.75	3.7%

THE common stock of United Corp. offers a convenient means of investing at low dollar price in some of the strongest and most profitable public utility enterprises of the country and particularly in the rich Eastern area. The company's chief holdings include Consolidated Gas, Public Service of New Jersey, United Gas Improvement and Niagara-Hudson Power. Earnings of the underlying companies are satisfactory and the United dividend may be considered relatively safe.

Standard Brands

Recent Price	Dividend	Yield
\$18	\$1.20	6.6%

THROUGHOUT the depression the leading package food companies have shown a notable ability to maintain both gross business and profits. The present \$1.20 dividend of Standard Brands is covered by a small margin but commands some confidence because the trend of 1931 earnings is upward. The company's position, already strong financially, has been strengthened by retirement of a substantial block of preferred stock. Full benefits of the merger which the company represents are yet to be obtained.

Commercial Investment Trust

Recent Price	Dividend	Yield
\$22	\$2	9.1%

IN the present depression installment financing has met its most severe test and the well managed finance companies have come through in satisfactory manner. Losses due to defaults have been surprisingly small and are a less important factor upon profits than the decline in gross business. The installment debts of the boom era have long since been liquidated. Commercial Investment Trust is the leader of its field. Its 1931 record offers promise of substantial increase in earnings in the next period of normal business.

Kroger Grocery

Recent Price	Dividend	Yield
\$29	\$1	3.4%

AT approximately one-fourth of their 1929 price, shares of Kroger Grocery have been extensively deflated. The company has had considerable success in correcting the errors of over-expansion of the boom period. The management has been changed and a number of unprofitable stores have been closed. The results are beginning to show up in an improved profit margin, earnings for the first half of this year having been \$1.25 a share, against only 12 cents in the first half of 1930. Profit for the full year is expected to be between two and one-half times and three times the dividend requirements.

United Gas Improvement

Recent Price	Dividend	Yield
\$27	\$1.20	4.4%

ONE of the largest of the public utility holding companies in the East, United Gas Improvement has shown a remarkable growth of earnings in its comparatively brief corporate career. Moreover, this earning power has shown remarkable stability under conditions of acute business depression. For the twelve months ended June 30, earnings per share were \$1.51, which was only three cents under the figure for 1930 and five cents over the total for 1929. The dividend appears secure and the company faces further expansion.

Stone & Webster, Inc.

Recent Price	Dividend	Yield
\$24	\$2	8.3%

STONE & WEBSTER, through affiliated enterprises, engages in construction work throughout the world, the underwriting and distribution of securities, promotional and development work, and, in connection with its activities makes investments, either temporary or permanent. It controls the Engineers Public Service Corp., a public utility holding company. Reported earnings for the year ended March 31 were \$3.17 a share. The stock appears to have substantially discounted present adversities.

International Nickel

Recent Price	Dividend	Yield
\$12	\$0.40	3.3%

EARNINGS of International Nickel have declined sharply, amounting to only 16 cents a share for the first half of this year, against 50 cents for the corresponding period of 1930. On present indications the forty-cent dividend may not be covered and hence cannot be considered assured. The company is dominant, however, in the production of a basic product and is financially strong, capital, surplus and earned surplus exceeding \$78,000,000. Profits should recover satisfactorily in any restoration of general business to normal.

Continues Expansion in Depression

With Earnings Fairly Well Maintained,
Chemical Leader Builds for the Future

By THOMAS R. NEEDHAM

IN its corporate title Air Reduction Co. literally describes its chief activity—the reduction of the atmosphere to its component parts. To a great extent the company is relieved of one of the main anxieties of manufacturing; it does not have to worry over the probable trend of the cost of its raw material or the adequacy of the supply. That is, insofar as the basic elements of its principal products are concerned although in the widening of its activities it early entered the related field of chemical production which requires more substantial raw material.

But if its most important operations are concerned with so intangible a basic material as air, the corporation's progress and welfare are directly and entirely dependent upon such decidedly tangible factors as the state of trade in the important steel and metal consuming industries.

Earnings Moderately Lower

The curtailment of general business in the past two years has been very exactly reflected in the financial results of Air Reduction's operations over the same period. In 1929 the company earned \$7.75 a share. Last year it earned but \$6.32. In the first half of this year earnings were but \$2.43 a share, and the probabilities are that the full year will show no more than \$4.50, which would just meet the regular \$3 dividend, and the \$1.50 extra declared 10 days ago. With the dividend obviously in no danger, with the country generally at least preparing to emerge from the slough of despond, and with the stock at current levels apparently registering a full discount of the near-term outlook, it may be well in con-

sidering Air Reduction's longer-term prospects to delve into its history, in order to determine the foundation on which the organization rests.

Air Reduction Co. was organized in November, 1915, on a rather modest scale, when one considers its present place in the industrial world. It took over the American rights of L'Aire Liquide, S. A., a French corporation controlling processes for liquefying air and separating its component gases, oxygen, nitrogen, argon and so on. The original capitalization authorized was 25,000 shares of common and 20,000 of preferred (the latter later converted into common) which contrasts with the present authorized 1,000,000 shares of common of which 841,288 shares are outstanding. There is no bonded debt. From the very beginning earnings were very largely ploughed back into the property, and the dividend rate maintained on a moderate basis. The half dozen plants which represented the beginnings of Air Reduction have increased to 106 producing plants and 340 warehouses.

Today the company centers its activities on the production of oxygen for commercial purposes, acetylene, nitrogen, and carbonic gas. It also manufactures the machinery and apparatus used in welding. Its principal consumer industries are the steel manufacturers, auto-makers, ship-building, pipe-line, railroads and building. It stands therefore in the out-

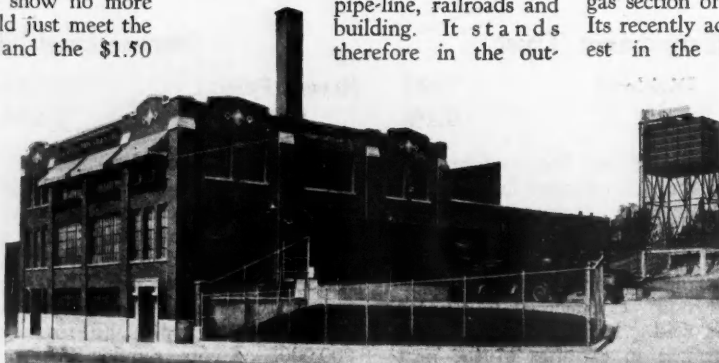
wardly distressing position of being engaged in a business in which most of its customers with the exception of the consumers of carbon dioxide are currently suffering severely. Several major and a number of minor industries already have given rather convincing evidence that they have turned the corner—but few of Air Reduction's customers appear among the convalescent. It is this which renders the near-term outlook of the company less promising and dictates the wisdom of studying carefully the company's fundamental position in the business world and its possibilities for continuing to earn in excess of its dividend requirements.

Holds Leading Position in Its Field

Stated as briefly as may be, Air Reduction occupies a commanding position in its section of the chemical industry. It maintains its own laboratory for research and investigation and its area of activity is constantly widening. The new method of welding steel in building construction which, conceivably, may ultimately supplant riveting broadens the field for Air Reduction's products. Its entry into the pipe-line welding division of the industry has afforded the company a foothold in the natural gas section of the public utility world. Its recently acquired 60 per cent interest in the Pure Carbonic Co. of

America extends its interest into the dry ice and refrigeration fields, Pure Carbonic being the second largest producer of carbon dioxide in the United States.

All through 1930 when other corporations were contracting operations and closing down production



Air Reduction Plant at Pittsburgh

units Air Reduction added to its potential production. It regarded the depression, evidently, as a good time to go shopping, for it added a number of companies and their plants to its steadily lengthening roster. Only recently it showed that 1931 also is a good year for the acquisition of additional facilities for it acquired 51% of the common stock of the Wilson Welding & Metals Co., manufacturers of electrical welding apparatus, thereby still further diversifying the organization's business.

Electrical welding is considered potentially a strong competitor of oxy-acetylene welding, which throws an interesting sidelight on the vigor with which the management of Air Reduction extends its influence in new lines of endeavor. In its internal affairs it has exercised the same diligence as other sound business organizations in conserving, saving and retrenching during the period of economic stress, but it has demonstrated its conviction that just as economy does not mean hoarding, so a conservative policy does not preclude expansion nor dictate temporary retirement from competition.

There are difficulties, however in the way of translating into terms of market value per share, the undeniable strength and important position of the company itself. At the outset of the calculation the inquirer encounters a lack of official detail regarding the make-up of important items in the company's balance sheet. The management is frank in stating for instance that all of its marketable securities are carried on the books at cost but gives no indication of the extent of the admitted shrinkage in the value of these assets (nor of what they consist). While a reserve was set up last year which the annual report states was sufficient to offset this shrinkage "to the close of the year," it is possible that this reserve has been exhausted as a result of the further decline in the market value of United States Industrial Alcohol.

The "Alcohol" Situation

Air Reduction owns approximately 50,000 shares of Industrial Alcohol, at a cost price which is generally assumed for SEPTEMBER 19, 1931

to have been about 80. Around current levels, on this basis, the investment shows a paper loss of something like \$2,500,000—as against a 1929 paper profit of \$8,000,000. The effect of carrying marketable securities at cost as part of the "other current assets" item in the balance sheet is to set up a more favorable than warranted ratio of current assets to liabilities, and of inventories to working capital.

This practice increases the difficulty of measuring a company's financial position accurately, and while in the case of Air Reduction it casts no reflection upon the management or the corporation it nevertheless affects the investor appeal of the company's shares.

The same thing may be said of other points which the analyst of Air Reduction's business, its policies and financial stability encounters in the annual report. To quote from the report cover-

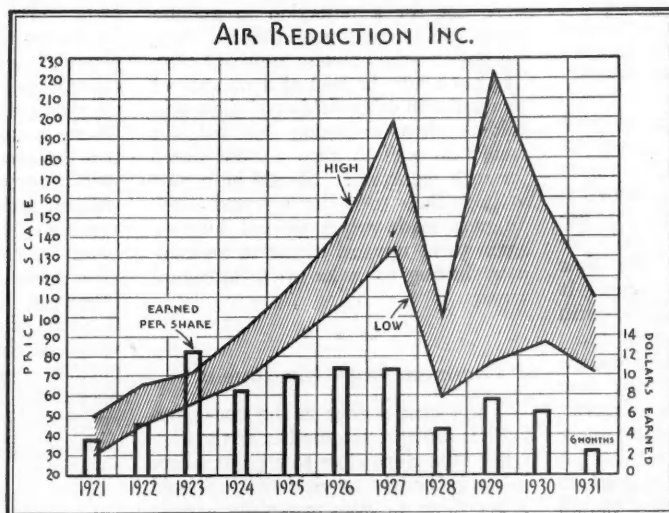
basis all of the 20,000 capital shares of the Cuban Air Products Corp. "in which it had formerly held a minority interest." That does not indicate how many shares were needed to convert the minority interest, generally believed to have been 25%, into complete ownership, nor does it intimate whether the Cuban Company's assets and liabilities have been incorporated into the Air Reduction consolidated statement or if the 20,000 shares are merely carried as miscellaneous investments. The only point on which the report touches is that from November 1 "the operations of" the Cuban Co. have been "consolidated with those of" the Air Reduction Co.

Strong Financial Position

It is rather difficult to understand why these, and other, uncertainties are permitted to surround the affairs of Air

Reduction, for it is not a company whose financial structure appears to need bolstering. Surplus, according to the last balance sheet, is \$10,420,455, having increased from \$3,125,988 in 1924, and cash holdings of \$6,475,772 are the largest in the company's history. Its management has the confidence of the business community. Almost all of its expansion has come out of its own earnings. Back in 1921 the stock sold at its record low of 30.

The current price around 75 is equal to 225 for the stock was reissued on a three-for-one basis three years ago. Wherever a clear insight into the company's policies and methods is possible the utmost conservatism appears to rule. The patents and licenses are written down to one dollar. The property account is carried at about 50% of original cost. Only one incident suggesting lack of caution stands out—and that may have some reasonable business explanation; the instance is the neglect of the opportunity to take a profit of some \$8,000,000 in United States Industrial Alcohol, and the retention of the stock through its long descent from 243 to below 25 (\$350,000 in annual dividends also has passed out of the picture) notwithstanding the presence of Air Reduction representatives (Please turn to page 742)



ing 1930 operations, the company during the year "acquired oxygen plants at Houston, Beaumont, San Antonio, Kansas City, St. Louis, Wichita, Cincinnati; and acetylene plants at Houston, Wichita and St. Louis. In each instance shares of your company's capital stock were issued in exchange for the above acquired assets."

Yet there is not a word as to the number of shares issued, the value or capacity of the plants acquired. The capital stock outstanding increased during the year by 46,894 shares, and in round numbers the property account of land, building and equipment—"including cylinders"—showed an appreciation of \$2,760,000, but after deducting depreciation reserves the fixed plant investment shows a balance sheet increase of only \$900,000. It is also set out in the report that the company acquired on a share-for-share



Market Indicators

For Profit

Taxes and Yet More Taxes

It is reported that organized labor is to agitate before Congress at its next session that a tax be placed on capital exported abroad. It is contended that such a move would give the working man in this country further protection against foreign labor with its low standard of living. Taxes are generally supposed to be a necessary evil but even so there is no cause to go out of one's way to make them more iniquitous than they need be and this without question is the most vicious proposal it has yet been our misfortune to encounter. The world has already interfered disastrously with the free movement of goods between nations. It has already meddled appallingly with the law of supply and demand in those selfsame goods. Is it now to do the same thing with capital? The free movement of capital between industries and between countries depending solely on the rate of return as against the risk involved is absolutely fundamental to the capitalistic system. There should be no interference with it. Our 15-billion dollar foreign investment holdings should be allowed to grow unhindered. The taxation of capital exports would affect almost every security holder in the country, for in addition to those who own foreign obligations directly there is barely a large industrial enterprise which has not a branch factory, a sales office or a source of raw materials abroad, on which it depends for a material part of its prosperity.

* * *

Maintenance and Earnings

In the old days of prosperity many conservatively managed companies built up their stockholders' equity by spending large sums on maintenance in order to put their properties in A-1 condition, even by charging to maintenance certain capital improvements, and by debiting earnings with the largest pos-

sible sum for depreciation that the tax authorities would allow. The present depression, however, has largely changed this. Indeed, in many cases it appears to have veered too far in the other direction. For example, if it were not for a reduction in maintenance, the current poor railroad earning power would closely approach zero. The same may be said of a number of companies in other fields and the stockholder when analyzing his holdings would do well to keep a close watch for such reductions. Should he not do so, he is likely to be disappointed in the progress made when general business again turns upward owing to his company having to make up maintenance arrears.

* * *

A Common Stock Investment

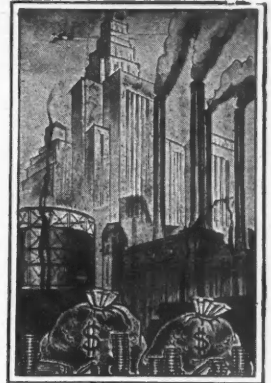
The recent decline in the stock market has brought yet another of the erstwhile blue chips close to a point where it can be bought to yield 6%. Should it get there, or even materially narrow the existing gap, it may be considered to be within a buying range very satisfactory for the patient long-term investor. The issue of which we speak is the common stock of the American Telephone & Telegraph Co., now selling around \$156 a share to yield 5.8% on the regular \$9 dividend. The company has not unnaturally felt the effects of the present depression to some extent, but this has been more in the form of failure to achieve the customary advance than any serious retrocession. For example, there was a net loss of only 100,000 telephones during the first half of the present year. For the whole of 1930, there was a gain of 122,500 and for 1929 a gain of 822,000. The company reported earnings for the first six months of the current year larger than for any similar period of its history although, owing to the large increase in the capital stock, per share earnings were \$4.89 on the average number of shares outstanding

compared with \$5.72 for the corresponding period of 1930. The present quarter is likely to be a poor one because of seasonal influences, but the last three months of the year will undoubtedly register material improvement. For the full year, earnings equivalent to at least \$9.50 a share are expected, which in view of all the circumstances may be considered a fair margin over dividend requirements. There is therefore reason to believe that the rumors concerning a reduction will be proved to have been entirely without foundation. Perhaps the most attractive feature of the company, however, from an investor's point of view, is that it is a virtual monopoly. Moreover, it is a monopoly free from the kicks of political football players by virtue of the fact that there are some 600,000 registered American Telephone & Telegraph stockholders to say nothing of the additional army which owns securities in the company's subsidiaries.

* * *

Attractive Medium Grade Bonds

The Illinois Power & Light Corp., controlled by the North American Light & Power Co. through the Illinois Traction Co., supplies either electric light, electric power, gas, transportation or other services to some 570 communities in Illinois, Kansas and Iowa. The company also operates a Class I railroad into St. Louis. As of December 31, 1930, funded debt of the Illinois Power & Light Corp., including subsidiary obligations, totaled some \$138,000,000. Of this amount \$95,200,000 consisted of the 1st and refunding mortgage bonds of the parent company, issued in series "A," "B" and "C." All are listed on the New York Curb Exchange. These obligations are secured by a first mortgage on certain of the company's properties and by a collateral lien and second mortgage on nearly all the remainder. For the calendar year 1930, the company



and Income

earned fixed charges on an over-all basis some 1.84 times. The series "A," 6s of 1953 are currently selling close to their call price of 105 to yield about 5.60% to maturity. The series "B," 5½s of 1954 are now quoted about 102½ and afford about 5.30% to maturity. This series is callable at 105 up to 1945 and afterwards at a gradually decreasing premium. The series "C," 5s of 1956 are about 97½, to yield around 5.17% to maturity. These too are callable at 105 but the premium does not commence to decrease until after 1947. There does not appear to be a great deal to choose between the three series, for they all have the identical security and, in addition, the differences in yield seem to be closely adjusted to the varying profit possibilities. Perhaps, however, it is best to hold to the old rule of buying low coupon rate bonds under par, rather than high coupon rate issues over par. If this be done the preference will of course go to the series "C."

* * *

Wither Cigarettes?

The cigarette industry is no longer cruising contentedly in placid waters, free from the turmoil of the greatest depression the world has ever seen. True, the ship is in no danger of foundering. Even serious damage is not yet threatened. A few waves, however, have already splashed aboard and a number of dark clouds on the horizon are causing the crew a degree of anxiety.

The first blow was struck when the production of small cigarettes during July showed a drastic falling-off in comparison with the corresponding month of 1930, thereby bringing the output for the seven months below that of the like period of last year. Following this, complaints were filed with the Department of Justice concerning the suspiciously concerted manner in which the four big cigarette

companies recently raised the wholesale price of their product. Another somewhat disquieting factor has been an increasing tendency on the part of states to bolster up their waning revenues by means of a cigarette tax. They have seen the federal government here and in England collect a glittering sum year after year, but only recently have serious efforts been made to remedy the neglect of such a gold mine. Some 12 states or more are now collecting taxes on cigarettes amounting to between 2 and 5 cents a pack of twenty. On top of this, there appears to be a disposition on the part of the public to economize by "rolling its own," which is not thought to be as profitable a business for the manufacturer as that of selling the finished product. Finally there are rumors that a new cigarette to retail at 10 cents a pack will be introduced and extensively advertised. This price of course will only be possible in those states which levy little or no tax. All these factors have played their part in causing the recent stock market weakness of the cigarette stocks and, although it is more than possible that the adverse possibilities have been exaggerated, it would be well for investors in the companies concerned to follow developments closely.

* * *

The Biscuit Companies

While it will be necessary for future developments to decide what significance, if any, attaches to the widely different results shown by the three big biscuit companies for the first six months of the present year, at least a mental note of the differences should be taken at this time. Loose-Wiles Biscuit Co. reported an increase in net of 5.5% compared with the corresponding period of 1930 although, owing to an increase in the capital stock, per share earnings were slightly smaller. On the other hand, total income of the National Biscuit Co. registered a decline of more than 6% over the same

two periods and that of United Biscuit a decline of nearly 15%. As might have been expected these results have been reflected in the stock market. Loose-Wiles is currently selling only 10% below the high point of the year, whereas the common stock of National Biscuit is quoted around the low for the year which is more than 30% below the high point, while United Biscuit is some 20% under the year's high. This adjustment in market price to the actual showing of the different companies makes it extraordinarily difficult to choose between the three organizations. Perhaps there is no choice, advantage and disadvantage being nicely compensated in the price. It would, however, appear to be the part of good policy to exercise a degree of caution in buying any of them until the trend of the market is more definitely favorable.

* * *

Fixed Trust and Loading Charges

It will be remembered that the New York Stock Exchange some time ago instigated an inquiry into fixed trusts and their manner of operating. The results of this investigation are now available in some 40 trusts with which the Exchange does not consider association by member firms objectionable. It is shown that the average premium paid by the investor over and above the current prices for the underlying stocks is slightly less than 9%. This is the amount he pays for diversification and low price. He usually makes, however, another payment indirectly in loss of marketability and collateral value because the stocks of few fixed trusts have as active or as wide a market as their underlying securities. Without taking any stand as to whether the charge be reasonable or unreasonable, it is at least gratifying that an investor now need have no delusions as to that for which he is paying.



Personal Investment Talk No. 11

Short Selling

A Practice Regarded as Mysterious
by Many Is Really Very Simple

By JOHN DURAND

THERE is an old saying in Wall Street: "What goes up must come down." People lost faith in the proverb during the "New Era" madness of 1929; and, now that the market has come down, many are swinging to the opposite delusion that it will never go up again. But the old maxim still rules in the majority of instances and it will be found, over a sufficiently long period of time, that stocks decline nearly as many points as they advance—except for the few issues in which there is a marked secular up-trend—so that the trader who cannot bring himself to sell short misses about half the opportunities for profit.

People who are not familiar with the mechanism of short selling often wonder how it is possible to sell stock they do not own. Some even go so far as to think that such transactions may not be exactly ethical. Such compunctions have given rise to the familiar saying: "He who sells what isn't his'n will surely some day go to prison." Most of the misconceptions about short selling disappear, however, as soon as the process becomes thoroughly understood.

A Common Business Practice

The practice of short selling is by no means confined to the stock market. You go into a store, for example, to buy a certain article and discover that it is not carried in stock. The merchant assures you he can order the goods and deliver to you within a few days. Perhaps you are going out of town and do not care to have the article charged or sent C.O.D. Having confidence in the dealer, you pay him in advance. The merchant has sold you something he did not own: he has sold short. To complete the parallel, it may be that, in order to hasten delivery, the merchant sends out and borrows the article from another store that does happen to carry it, and then delivers it to you. This is a common practice among small druggists. Later he buys the article from his jobber and returns it to the store from which it had been borrowed.

When stock is sold short through your broker, it sets in motion a set of transactions quite similar to those involved in the sale of merchandise that is not on the shelves. The purchaser of stock has no way of knowing whether he is receiving long or short stock; for the certificate has to be delivered and paid for next day, in either case. When long stock—stock which you own—is sold, your certificate will be delivered to the purchaser, who then pays for it

in full. When you sell stock short, stock that you do not own, your broker has to make arrangements in the stock exchange "loan crowd" to borrow the exact number of shares from some holder who is willing to lend the stock, and it is this borrowed certificate which is delivered to the purchaser, who pays for it in full.

There is this difference, however, between short sales of stock and the short selling merchandise. When the druggist borrows a box of soap from a neighboring dealer to deliver to you, he merely says: "Thank you," and promises to return an identical box of soap within a few days. It was just a friendly accommodation. But stock is always loaned on a strictly business basis. The broker takes the cash he receives in payment for the stock you sold short and loans it to the party from whom the certificate was borrowed. The prevailing rate of interest is charged on this loan of cash, and it is mutually understood that both the cash loan and the certificate loan are repayable on demand. Should the owner of the stock demand that his certificate be returned, then the broker must borrow the stock elsewhere and deliver it to the original lender. The latter returns the cash loaned by the broker, on the certificate as collateral, and the broker then re-loans this cash to the second party from whom he has just borrowed the stock. All of these transactions are handled through the Stock Clearing Corporation.

Later on, when you cover the stock (i. e., buy it), the broker delivers the stock you have bought to the party from whom he has been borrowing; and gets back his cash, with interest. This cash is then paid to the person from whom you bought the stock, and the transaction is completed.

Advantages of Lending

People sometimes wonder why a stockholder should be willing to loan his certificate. The usual inducement is that the lender of stock to short sellers obtains a cash loan up to the full market value of his certificate, and frequently at a lower rate of interest than prevails in the open call loan market. If the stock is pledged for a collateral loan at the bank, the amount of cash obtainable will only come to somewhere between 50% and 90% of market value, according to circumstances.

Traders who are short of a stock at the time it sells ex-dividend will be charged with the dividend; because the

broker must pay it to the party from whom he has borrowed the certificate. But the customer pays no interest on short sales, since no borrowed capital is tied up. On the contrary, interest is usually received by the broker for money loaned on stock that is borrowed while the trade is open. On large and active accounts, part or all of this interest may be credited to the customer—it is one of the inducements offered by brokers in soliciting profitable accounts—but small and inactive accounts seldom receive the benefit of interest earned on short sales. It is retained by the broker as a partial offset to the risk and expense involved in borrowing a small amount of stock.

So far as the trader is concerned, short selling is merely a method of profiting by declining prices. If it seems that the market is going down, he merely sells something with the intention of buying it (covering) cheaper later. It is just the reverse of what he does when the trend appears to be upward. In the stock market, it makes no difference whether you buy first and sell later, or whether you sell first and buy later. A completed trade involves both a purchase and a sale, regardless of which transaction comes first. Either way, commissions and taxes are the same.

Professionals usually favor the short side; though priding themselves upon the ability to trade both ways with equal facility. As previously mentioned, there is no interest to pay on short trades; and accidents are more likely to favor the bears than the bulls. Then again, prices decline in a bear market about twice as rapidly as they advance in a bull market. The latter advantage is partially offset, however, by the fact that more capital is usually tied up in a short trade than by a long position. A simple example will make this clear. Suppose that a trader undertakes to profit by both up and down movements in a stock that swings regularly for awhile between 60 and 80, his unit of trading being 100 shares. Assume further that there is a uniform margin on all trades amounting to 30% of market price. The margin employed in a purchase of 100 shares at 60 would thus be only \$1,800, whereas it would tie up \$2,400 in working capital to go short of 100 shares at 80. If it takes three months for the stock to advance 20 points (from 60 to 80), but only half of that time to fall back 20 points, the annual rate of profit on the respective amounts of trading capital involved would be (disregarding charges) 444% on long trades and 667% on short trades. Assuming now that the same amount of capital is employed in long trades as on the short side (which can be arranged by carrying 33% more shares on the long trades), and bearing in mind that the average long trade would be carried twice as long as a short trade, we must now modify our original statement and say that the trader who cannot bring himself to sell short misses about 43% (not half) of the opportunities for profit.

Short selling is not such a short cut to fortune, however, as the foregoing recital might lead one to suppose. The

for SEPTEMBER 19, 1931

first obstacle is that the modern stock market seldom moves as a whole. You may be right on the general market but go short of some stock that rises against the trend. In selecting the stock to go short of one needs to consider not only the outlook for the market as a whole, current prospects for the particular industry, and outlook for the individual company, but also the stock's technical position. The latter is perhaps the dominant factor in making a selection; for there are times when a great deal of strong arm work goes on in the market quite regardless of so-called "fundamentals."

Ordinarily, stocks that skyrocket without regard to values, and then crash in a perpendicular nose dive, belong to the class of specialties in which the floating supply is so small that it is easily corralled by some enterprising operator or pool with sufficient initial financial backing. When practically all the floating supply is closely held by manipulators, they are in a position to do about anything they have a mind to with the stock. Technically the stock is not considered to be cornered so long as it can be borrowed by traders who are short of it; but practically, so far as complete control over price movements is concerned, it is cornered. Professional bears have learned in the school of hard knocks not to trespass on such strictly private property; but inexperienced cubs will persist in feeling for the top, only to be knocked off again and again with bruises and broken bones before they succeed in plucking the coveted fruit.

When a novice sees a stock drop fifty points in a few days it looks as though it should have been easy to make money by selling it short.

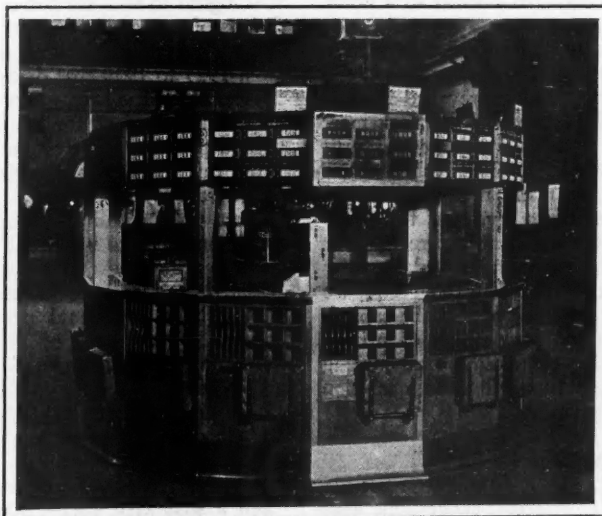
We have spoken of the difficulty in picking the top of such specialties; but, granting for a moment that you are clever or lucky enough to do so, then comes an insurmountable and extremely vexing obstacle. Likely as not your broker will at that psychological moment accept trades in the stock only for cash, and this means that you cannot go short of it at all. The reason for prohibiting short trades in stocks that are practically, even though not technically, cornered is the danger that it may not be possible to borrow the stock for delivery. If you are going to sell short, pick an issue in which the number of shares out-

standing is so large that the floating supply can not be gathered in easily by any one group of market operators.

Aside from the difficulty of selecting the right stock to sell, there is the ever-present danger of too much company on the short side. Bulls like company; but a bear prefers to play a lone game. The more people buy a stock the higher it goes, whereas the existence of a big short interest is likely to become a source of great strength in a stock's technical condition. This is especially true of stocks whose floating supply is largely under pool control.

Suppose, for example, that the pool controls all but 30,000 shares of a stock's floating supply, and that traders

(Please turn to page 738)



Courtesy, New York Stock Exchange

Horseshoe Type of Trading Post in the Stock Exchange

Is It Possible to Control the Business Cycle?

The Present Situation Suggests That the Way to Avoid Depression Is to Attack the Preceding Boom

Editor, Readers' Forum:

Economists have theorized for decades about the business cycle and prior to the disastrous happenings of the autumn of 1929 most of us thought they knew what they were talking about. Before the stock market crash shattered a dream of speculative paradise it was easy to believe that the business cycle had been abolished, particularly since this appeared to be the confident view of so many business men, bankers, economists and high Government officials who were presumed to know more about it than the layman. Of what value is the cycle theory if the greatest depression ever known finds not only the public but the great majority of our so-called leaders serenely unconscious of the real situation? It is easy to charge politicians with a lack of economic wisdom but what practical, constructive effort or suggestion has yet come from our business giants or economists? Are we to be forever creatures of economic circumstance or is some measure of economic control possible?

Sincerely yours,

F. L. T.

ALL human history teaches plainly that business tends to fluctuate in irregular cycles, swinging from a point below the theoretically computed normal to a point well above it and back again, giving us an apparently endless transition from good times to bad and vice versa. It is obvious now that too much reliance was placed upon the generally high level of prosperity which prevailed for approximately five years before the collapse of the stock market. This unfortunately lulled many even experienced business men into a false sense of security. The cycle had not been abolished. We had not, as many thought, attained an economic control which tended to level out the peaks and valleys of business. In avoiding major correction for five years we merely made necessary, and paved the way for, deeper readjustment. Whether this disturbing sequence of events is a necessary and unavoidable part of the capitalistic system, which rests upon the competition of private initiative, is a question to which one hesitates attempting an answer. It may be that the future will yield a solution but certainly none is now in sight.

Artificial Cures Appear to Be Futile

In the present situation many remedial suggestions have been advanced but none appears to be practical. The difficulty is so deep-seated that business seems to be the victim, rather than the master, of its destiny. Feeble, artificial cures or short-cuts to returning prosperity are futile. Beyond the unfortunate experiment of buying wheat and cotton with public money, the Government's constructive program consisted merely of urging business to sit tight, maintaining the 1929 status quo as far as possible. As the above letter points out, business itself has been equally lacking in any remedial program of constructive value. Prominent executives have aired their views extensively, although sometimes not as frankly as the situation would seem to demand, but the net result appears to be a consensus that nature must take its course, that any organized, artificial effort to alter the business trend is impractical, if not highly dangerous.

The fact is that we know very little about the business

cycle, except that it occurs. Since a depression such as the present invariably follows a period of good times, however, it is logical to seek for the causes of depression not in conditions of economic adversity but in the preceding prosperity. It was in the setting of the five years of prosperity from 1925 to 1929 that depression took root. In all of the advice which has been given no utterance matches in practical sanity that of the banker who said that the way to fight depression is to "sit on the bulge" which precedes it. From this soundly-based point of view, the real enemy to be guarded against is boom prosperity and a roaring bull market. Yet it is human nature to welcome soaring stock prices and intense industrial activity. A good case can be made out for the argument that we are paying an accumulated, and perhaps unnecessarily severe, penalty which should have been paid previously in saner installments. After the good years of 1925 and 1926 a major business correction appeared to be on the cards in 1927. The country congratulated itself on the mildness of that reaction and the stock market virtually ignored it. The Federal Reserve System opposed it with a policy of artificially easy money. It was then, in the opinion of many economists, that the germ of a record-breaking inflation was laid. If there had been a somewhat deeper depression at that time, perhaps comparable to the reaction of 1924 and permitting commodity prices to seek their natural lower level, it is reasonable to believe that the expansion of 1928 and 1929 would have been more moderate and the present readjustment correspondingly less severe.

Applying the Brakes Too Late

It was unfortunate that the boom attained maximum proportions at the time of a national election for politicians obviously cannot be expected to take the unpopular step of "sitting on the bulge." The Reserve Board, as is now widely recognized, applied the brakes too late. Business men too long placed reliance in dangerous schemes of price control and matters were made still worse by the campaign of mental resistance to depression late in 1929 and in the

(Please turn to page 738)

THE MAGAZINE OF WALL STREET

Low Margin Requirements are a Favorable Indication

Broker Loan Policies of the Banks Reflect an Expert Belief That Speculative Dangers Are Lessened

Editor, Readers' Forum:

I recently purchased a small lot of stock for investment but left it temporarily "on margin" with the plan of completing payment within a few weeks. The broker, to my surprise, wanted only 20% margin, thus requiring me to put up only \$6 a share on a stock selling for \$30. It is my belief that many stocks are thoroughly deflated but even in a sold-out market I am unable to understand how anyone can consider a 6-point margin as safe. The broker's requirement, of course, reflected the margin policy of his bank. I understand that the banks are inclined to be liberal. Has their loaning policy in the past thrown much light on the market outlook?—W. W. L.

We are inclined to agree with your doubt as to the essential safety of a 20% margin, even in a dull and apparently deflated market. The only absolute factor of safety, of course, in any margin transaction is the buyer's ability to "take up" the stock by paying his debit balance. The practices of brokers and banks in fixing margin requirements, if interpreted with prudence, might possibly be of material aid in shaping the judgment of either investor or speculator but is certainly not an infallible guide. Generally, speaking, margin requirements go up and come down with the market. A high margin requirement on a particular stock or a high general level of margin requirements reflects an experienced financial judgment that the situation is inherently dangerous. The high margins demanded in 1929 constituted a warning which was generally ignored. Present low margins reflect a view of banks that speculative dangers now are minimized. This view is probably correct, simply on the basis of the tremendous deflation already accomplished, but it offers no guidance whatever as to the timing of the next upturn.

Selling Against the Box

Editor, Readers' Forum:

Published accounts of the day-to-day movements of the stock market seldom seem to agree as to the size and importance of the short interest. One commentator will speak of a reaction being brought about by professional traders "hammering" pivotal stocks while another will describe the selling as liquidation. Is there any basis of fact on which the truth can be ascertained? I would appreciate it also if you would explain the meaning of the term "selling against the box."—T. J. O.

The actual short position can be ascertained at any given time only by the New York Stock Exchange ordering all member firms to reveal their position. An investigation of this kind revealed that short selling had very little to do with the stock crash of 1929. The importance of the present short interest is wholly conjectural, which accounts for wide differences of opinion in newspaper accounts of market developments. Such opinions necessarily are shaped by the observer's own impression of the action of popular trading issues and by such information as can be had from individual brokers, whose views obviously reflect knowl-

edge of the character of the business being transacted by their own firms. The practice of "selling against the box" is fairly common among some large investors and in itself constitutes one of the difficulties of generalizing about the short position. Let us suppose, for example, that an individual owns 10,000 shares of United States Steel, fears that the market will decline extensively and wishes to protect himself against additional depreciation. He may either take his stock from his safety deposit box and sell it or he may go short 10,000 shares of Steel. In the latter event his operation differs greatly from an ordinary short sale for the reason that he does not have to buy stock in the market to cover his commitment, already having the stock on hand. Such sales obviously have the same effect upon the market as outright liquidation.

Real Volume Not Shown

Editor, Readers' Forum:

My understanding is that odd-lot transactions on the floor of the Stock Exchange are not fully recorded on the tape, with the result that the daily newspaper reports of the volume of trading on a particular day indicate a total well under the business actually transacted. I know that thousands of persons, including myself habitually think of stock transactions in terms of odd-lots. Can you give me some idea of the relative importance of this class of stock trading?—R. G.

The essential purpose of the stock ticker is to report current open market prices and its record of the number of shares involved in individual transactions is merely incidental. The mechanical limitations are such that all transactions cannot be recorded. The Exchange, therefore, follows the principle of recording only transactions arrived at in open market bidding. The chief classes of omitted transactions are "stopped stock" and odd-lots, for every such transaction is based on the market price of the next full lot dealt in. It is estimated that the volume of odd lots constitute approximately 30% of share sales reported on the tape, although the full lot dealings undertaken by odd-lot brokers naturally reflect the aggregate buying and selling of odd-lot traders. Stopped stock transactions, which are private purchases or sales between brokers at the price of the next open market transaction, are estimated to amount to from 5 to 10% of a day's business. Thus, when it is reported that a session's turnover amounted to 3,000,000 shares, the actual total of shares sold would probably be somewhere between 4,150,000 and 4,300,000. The omission is not of much importance for such evidence as volume supplies to the trader regarding the character of the market's movement can be had from the record of ordinary full lot transactions, with interest usually concentrated on the trend and activity of a dozen leading issues. In a general way the trend of odd-lot dealings will follow the course of the active leaders.



Business Registers Few Gains

CHEMICALS

Little Further Recession Expected

With the exception of the fertilizer division, the chemical industry made a relatively good showing until the present depression had been under way for about a year. During the latter part of 1930, however, a severe recession in volume took place and this was followed by an epidemic of price cutting, which has only lately shown signs of levelling out. At the present time, owing to the smaller volume and the lower prices the chemical industry cannot be considered a particularly prosperous one. It must be remembered, however, that it caters to every other industry and it is hardly conceivable that the general industrial activity of the country can recede much further. If this be so and assuming that the chemical manufacturers do not cut their own throats, it would seem that the industry's profits must now be (Please turn to page 746)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1931		
	High	Low	Last*
Steel (1)	\$0.01%	\$0.01%	\$0.01%
Steel (2)	0.01%	0.01%	0.01%
Pig Iron (3)	17.00	15.50	15.75
Copper (4)	0.10%	0.07%	0.07%
Lead (5)	0.05%	0.03%	0.04%
Petroleum (6) ..	0.81	0.14	0.54
Coal (7)	1.60	1.40	1.45
Cotton (8)	0.11	0.06%	0.06%
Wheat (9)	0.75	0.39	0.50
Corn (10)	0.68%	0.40%	0.44%
Hogs (11)	25.00	13.00	19.50
Steers (12)	17.00	11.00	14.50
Coffee (13)	0.10	0.07%	0.08%
Rubber (14)	0.06%	0.05	0.05%
Wool (15)	0.72	0.00	0.62%
Sugar (16)	0.03%	0.03%	0.03%
Paper (17)	62.00	57.00	57.00
Lumber (18) ...	17.67	14.19	14.34

*Sept. 14, 1931.

(1) Sheets, Pittsburgh, cents per lb., (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, \$ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.5 deg. \$ per bbl. (7) Pitts., steam mine run, \$ per ton. (8) Middling (Galv.) cents per lb. (9) No. 2, Hard, Winter (Kan. City) \$ per bu. (10) No. 2 Yellow (Chic.), \$ per bu. (11) Fresh loins, 10-12 lb. (N. Y.) \$ per 100 lb. (12) 650-700 lb. (N. Y.) \$ per lb. (13) Santos, No. 4 (N. Y.) c. per lb. (14) Smoked Sheets (N. Y.), cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), \$ per ton. (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Further decline in iron and steel production has taken place, the ratio of ingot output to capacity dropping to 30 per cent, compared with 31½ per cent for the preceding week. The present rate of production is the lowest since December, 1921, and the expectation on the part of the trade is that the seasonal upturn during the autumn months will fall materially short of normal. Scrap prices are stronger, while those for finished steel show little change. Railroad demand is poor, only replacement orders being let. Structural steel awards have dropped sharply but the needs of the automobile and machine tool businesses remain steady at the present low ebb.

COPPER—Last week commenced as one of the duller of the year in the copper market with producers holding out for 7¾ cents a pound and domestic buyers clinging to bids of 7½ cents. Later, however, as the buyers achieved their object, greater activity was seen. Meanwhile production continues to surpass consumption at the rate of 40,000,000 pounds a month with the result that surplus stocks steadily mount. The only solution of the troubles of the industry appears to lie in sharp contraction of output but this appears far from easily carried out.

ZINC—Stocks on hand have declined for five successive months and although demand is slack at present the recent large decrease in production has resulted in a firm price basis. The present quotation at East St. Louis is 3.80 cents a pound, only slightly below the year's high. Following the low price of 3.20 cents a pound reached earlier this year, principal zinc producers began to control their output and the results are now evident.

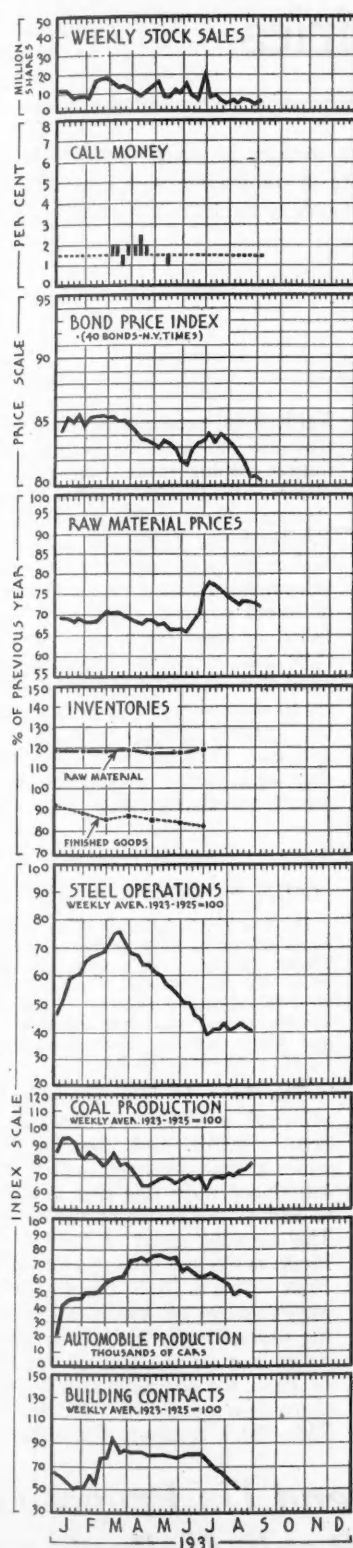
PETROLEUM—Rigid regulation of East Texas production has been relaxed and the Governor has authorized a new proration schedule calling for a maximum daily output of 225 barrels from each well. This action has resulted in oil production holding at about the levels of last week but the probability is that it will gradually increase. Crude prices remain steady and the larger refiners have shown little disposition to cut gasoline prices. Oklahoma is severely critical of the East Texas resumption and retaliation has been suggested.

COAL—Bituminous production still exceeds demand and stocks are increasing although prices remain stable. The demand from industry and the railroads is very slack and the near term outlook poor. On the other hand, the demand for anthracite is being maintained and shortly there should be a seasonal gain as large apartment house and other buyers show a willingness to lay in supplies. There has been no change in price since the minor advance made on September 1.

COTTON—There was further weakness in the cotton market last week, October futures touching 6.50 cents a pound at New York on news of the increased Government crop estimate which accentuated the pessimism prevailing in cotton trade circles. Five southern cotton states have declared themselves willing to legislate for drastic reduction in next year's crop if Texas will adopt a measure similar to the bill passed recently in Louisiana calling for elimination of any planting next year. Moreover, Government officials and Farm Board members are seriously considering calling a world cotton conference to evolve measures for production control during the coming crop year.

The Magazine of Wall Street's Indicators

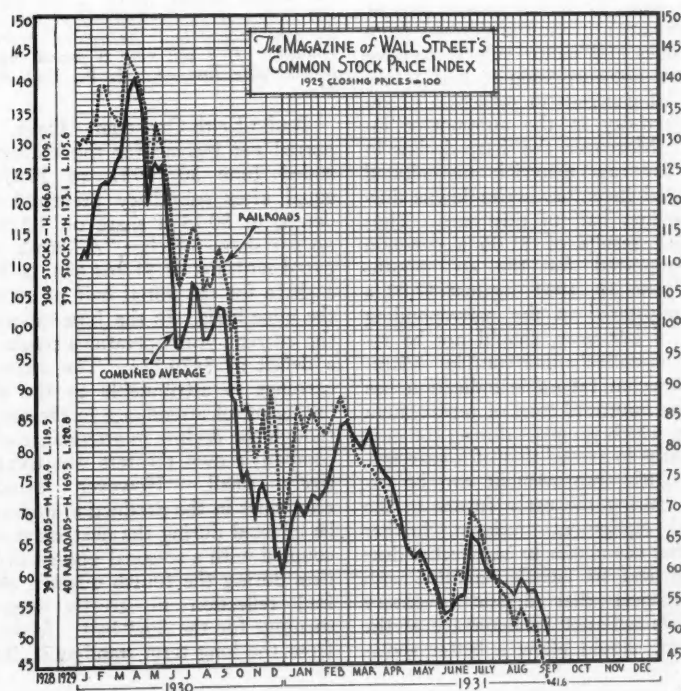
Business Indexes



Common Stock Price Index

1930 Indexes				Group	1931 Indexes			
Close	High	Low	Number of Issues		High	Low	Sept. 5	Sept. 12
62.2	140.7	59.9	405	COMBINED AVERAGE	84.4	49.2	83.0	49.3*
112.0	405.5	105.7	5	Agricultural Implements	142.4	48.4	51.7	49.4*
88.5	272.0	85.6	8	Amusement	121.3	62.0	70.3	65.5
47.8	113.1	46.3	23	Automobile Accessories	76.9	39.2	44.0	39.3*
25.5	73.4	24.5	20	Automobiles	37.0	16.5	18.6	16.5*
39.0	153.1	35.4	4	Aviation (1927 Cl.—100)	74.2	39.9	46.9	44.9
33.8	74.2	23.3	3	Baking (1926 Cl.—100)	38.4	16.7	19.0	16.7*
185.5	242.1	179.6	2	Biscuit	212.3	159.0	165.9	159.0†
128.6	262.7	123.5	5	Business Machines	162.2	93.0	99.3	95.0*
157.0	226.0	151.8	2	Cans	188.5	138.0	140.1	138.0†
126.0	242.5	124.3	8	Chemicals & Dyes	157.8	96.9	114.3	107.3
45.3	121.8	40.2	3	Coal	71.3	32.3	36.0	32.3*
70.4	211.7	67.0	12	Construction & Bldg. Mat.	73.7	34.6	37.4	34.6*
83.0	125.1	80.7	2	Copper	92.4	49.2	52.3	49.2*
21.5	51.6	20.4	9	Dairy Products	98.0	64.1	68.6	64.1†
33.0	142.0	79.4	8	Department Stores	30.3	19.1	21.3	19.1*
115.8	239.1	114.9	8	Drugs & Toilet Articles	120.4	76.7	81.8	76.7*
14.8	54.4	13.7	4	Electric Apparatus	149.3	81.9	89.4	81.9*
77.6	148.4	68.5	2	Fertilizers	21.5	8.9	9.5	8.9*
64.4	93.5	63.1	7	Finance Companies	91.3	59.0	65.7	59.0*
50.3	124.6	50.0	4	Food Brands	80.1	60.2	64.5	60.2*
31.6	119.2	30.1	4	Food Stores	33.0	50.3	70.0	67.2
29.9	99.5	28.6	7	Furniture & Floor Covering	51.7	31.6	38.0	36.3
61.0	154.9	55.9	10	Household Equipment	45.5	28.0	29.5	28.0*
52.3	170.0	51.5	3	Investment Trusts	89.5	42.0	46.0	42.0*
52.4	142.5	50.9	39	Mail Order	96.3	52.3	71.7	62.1
37.2	175.2	36.3	8	Petroleum & Natural Gas	69.2	37.6	43.7	40.5
150.4	305.0	141.1	20	Phono. & Radio (1927—100) ..	68.3	30.9	33.9	30.9*
57.8	115.4	55.5	10	Public Utilities	186.8	127.9	188.9	127.9*
69.8	144.5	67.1	33	Railroad Equipment	73.1	37.4	40.3	37.4*
81.9	163.1	75.9	3	Railroads	88.4	41.6	46.0	41.6*
28.9	88.8	28.9	5	Restaurants	100.7	66.2	68.6	66.2*
180.4	246.5	150.8	2	Shipping	38.0	15.9	16.3	15.9*
63.5	146.5	61.4	13	Soft Drinks (1928—100)	183.4	135.0	149.5	135.0*
12.9	45.1	12.3	6	Steel & Iron	92.3	49.0	51.9	49.0*
170.3	268.7	163.0	2	Sugar	18.9	10.8	12.9	11.7
97.4	177.2	92.6	3	Sulphur	218.0	124.6	134.6	124.6*
23.7	70.5	21.1	6	Telephone & Telegraph	132.4	88.5	97.3	88.5*
10.9	39.0	10.9	7	Textiles	46.0	23.3	25.5	23.3*
59.3	107.3	57.5	9	Tires & Rubber	15.3	8.4	8.9	8.4*
67.2	103.5	63.2	5	Tobacco	78.6	59.3	69.2	65.5
68.5	88.7	68.5	2	Traction	86.1	49.0	57.8	49.0*
				Variety Stores	82.0	68.5	75.9	72.6

* New low record since 1928. † New low record since 1929.
‡ New low record this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splits; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)



Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your inquiries to *three securities only*.
3. Write name and address plainly.

Special rates upon request to those requiring additional service.

GOODYEAR TIRE & RUBBER CO.

I recently read where the tire replacement business of Goodyear Tire & Rubber Co. may run ahead of last year. Will this make up for any decrease in sales to manufacturers for new cars? What is your judgment as to the outlook for this company? I am holding 250 shares at a small loss.—A. J. G., Toledo, Ohio.

Goodyear Tire & Rubber Co. ranks as the largest rubber manufacturer in the world, operations including practically every phase of the industry, from growing of rubber on its own plantations to the production of a well diversified line of rubber goods. Obviously, since by far the greater part of the company's income is derived from tires, tubes and motor vehicle accessories, it is not surprising to find a falling off of earnings in reflection of reduced activity in the automotive industry. Moreover, the sharp decline in prices for raw materials necessitated substantial inventory write-downs during the first half of this year. Thus operating results of \$1.06 a common share reported for the six months ended June 30, 1931, against \$2.02 a share registered in the corresponding period of last year, should not be regarded as entirely unfavorable. Moreover, a recent favorable indication has been the improved tone of replacement buying, which promises during the next six months to exceed that of a year ago. While little improvement can be expected during the early future in the original equipment business, further operating economies to be effected during the next six months, coupled with the prospect that drastic inventory write-offs will not be necessary at the year-end, should allow a better show-

ing during the balance of the year. As of June 30, last, cash and government securities alone amounted to about two and one-half times total current liabilities, while the ratio of current assets to current liabilities was 6.9 to 1. In our opinion, needless liquidation of the shares at current prices would represent an unwarranted sacrifice and advise against such action.

RADIO-KEITH-ORPHEUM CORP.

Do you see any signs of improvement in the motion picture field? I am holding 300 shares of Radio-Keith-Orpheum Corp. Do you believe that the outlook warrants holding? If I sell now it would mean a considerable loss.—L. A. F., Fall River, Mass.

Radio-Keith-Orpheum Corp. reported net income for the six months ended June 30, 1931, of \$583,664, equal after subsidiary preferred dividends, to \$0.25 a share on 2,328,250 no par shares of class "A" stock, compared with net of \$1,764,644, or \$0.76 a share for the initial half of 1930 on the same basis. In the June quarter of the current year operations resulted in a deficit of \$429,554. The decline in earnings is attributable to the sharp falling off of attendance in theaters, although the decline in attendance of the company's own theaters was comparatively small. However, operating economies in the production division to be effected during the next six months, coupled with a seasonal upturn in business during the fourth quarter, should find reflection in greatly improved earnings for the final half. Moreover, from the long term standpoint, Radio-

Keith is in a unique position to substantially augment its earning power during ensuing years. The company is closely allied with Radio Corp. of America, General Electric Corp., and Westinghouse Electric & Mfg. Corp., and stands to benefit from any new developments relating to the production of sound pictures which may be perfected by these companies. It is with these salient and important factors in mind that we advise present stockholders to exercise patience in order to obtain greatest benefits from their commitments, although we would point out that such action necessarily involves certain speculative risks.

LEHN & FINK PRODUCTS CO.

Do you think Lehn & Fink will ever again sell at its 1929 prices? I have 200 shares purchased at prices considerably above the present market and in view of steadily decreasing earnings, I am of the opinion to sell and take my loss. Will you please give me your judgment?—F. R. M., Fairmont, W. Va.

The Lehn & Fink Products Co.'s principal products are "Lysol," "Pebecco," "Hinds" and "Dorothy Gray," while a new antiseptic called "L-F," introduced early this year is expected to add to the profits of the company. The earnings trend of Lehn & Fink Products Co. has been downward since 1926. This is likely due to the company's system of distributing advertising expenditures, which represent the major part of the cost of operations. In 1930, the company earned \$4.07 a share, as compared with \$4.10 in 1929. This was a relatively favorable show-

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

ing. However, in the first half of the current year, earning totalled \$777,300, or \$1.85 a share, against \$918,383, or \$2.19 a share in the similar half of 1930. It now appears that the regular annual \$3 dividend will not be covered by any wide margin by 1931 earnings, and consequently there is a degree of uncertainty over this disbursement. The high yield now offered indicates the measure of speculative risk involved. Current sales are understood to be running behind the rate of a year earlier and improved earnings do not appear to be in early prospect. The situation is one which will bear close watching and the shares should be held only by those in position to assume a speculative risk.

GENERAL AMERICAN TANK CAR CORP.

I have 350 shares of General American Tank Car Corp. which now average about \$70. The market action of this stock has been most disappointing to me. Is there anything fundamentally wrong that keeps it so close to its low for the past two years? Is the dividend safe? Do you advise to hold for a change in the business outlook?—P. J. S., Irvington, N. J.

Operations of General American Tank Car Corp. are divided into two sections, namely—the manufacture of all kinds and types of cars, such as tank, box, gondola and flat cars, and the leasing of tank and refrigerator cars for the transmission of milk, chemicals, fruits, meat and oil. In recent years the company has more or less concentrated leasing operations to the transportation of food products, thus successfully offsetting the increasing competition of pipe lines for the transportation of gasoline. In this connection the president of the company issued a statement to the effect that less than 4% of the company's cars were engaged in the long-haul transportation of gasoline. In line with the revised policies of the management, the entire fleet of cars owned and operated by Swift & Co. was acquired for some \$16,000,000 with the provision that General American Tank Car Corp. will handle the packing company's transportation activities for a long period. Although earnings during the first half of 1931 were adversely affected by a falling off in operations in the freight car building field, profits for the initial half of the year were substantially above dividend requirements for the period. Net income amounted to \$3.02 a share on 818,833 common shares outstanding against \$4.58 per share on a smaller capitalization in the corresponding period of 1930. While we do not anticipate substantial improvement in operating results during the early future, the strong financial position,

coupled with favorable long term outlook, suggests the advisability of maintaining your present position in the shares. The current annual dividend rate of \$4 a share in cash, appears reasonably secure, over the medium term, at least.

GENERAL MOTORS CORP.

During 1928 I made a nice profit on General Motors. I have been considering buying 100 shares now for holding for about four months. I would appreciate your opinion on the matter.—D. L. G., Houston, Texas.

The General Motors Corp. enjoys excellent diversification of products, with interests including motor cars and trucks, Delco Light, Frigidaire, General Motors Radio, 50% ownership of the Opel Works, General Aviation and Bendix Aviation. However, the principal source of income is the automotive industry. It is reported that General Motors now accounts for more than 40% of the total automobile sales. Earnings in the first six months of 1931 were equivalent to \$1.83 a share, of which only \$0.61 was earned in the initial quarter, as compared with \$2.15 a share in the corresponding half of 1930. The satisfactory second quarter was due in great part to the operating efficiency of the company as profit margins were the widest since the similar period of 1928. The automotive industry now is in its dull season and the outlook for the remainder of the year is not particularly promising. It is not likely that the dividend will be covered by third quarter earnings. The shares of General Motors represent a good medium for future participation in the automobile industry, but we see no reason for hastening a new commitment during the season's dull period.

REPUBLIC STEEL CORP.

I notice that Republic Steel common is selling at a very low level. Do you believe it advisable to buy now? I know that the company pays no dividend but thought that it might be a good time to buy for a turn.—J. S. K., Chicago, Ill.

The Republic Steel Corp., formed as the result of the merger of several independent steel units in 1930, ranks as the third leading producer of steel in this country. The company's products are well diversified but the various plants are not well situated, geographically, to permit as yet all the economies of consolidation. This factor, together with the falling off in income, has as yet prevented the Republic Steel Corp. from realizing on its potentialities. The units making up the present corporation all had highly successful

past records but the business depression came at a time when the Republic Steel Corp. was in its infancy, and consequently, operations have not yet been satisfactory. A deficit of \$3,522,003 was reported in 1930, while there was a loss of \$2,784,898 in the initial half of the current year. A further loss is looked for in the final six months. No dividends are paid on either the preferred or junior issues and none are in early prospect. While the company ultimately should operate on a profitable basis, the outlook over the near term does not appear to be promising, and we suggest that you maintain a neutral attitude toward the shares pending a decided improvement in the steel industry.

TEXAS GULF SULPHUR CO.

Can you tell me why Texas Gulf Sulphur Co. does not do better market-wise? Its recent price is only a few points above its low for the year. Is there any danger of its sulphur deposits giving out? Will the new process substituting pyrites for sulphur affect its business? What is your opinion as to the safety of the dividend? If you will let me have this information it will help me decide whether to continue holding my stock on which I already have some loss.—H. A. M., Salt Lake City, Utah.

In reflection of lower demand for sulphur, earnings of Texas, Gulf Sulphur Co., for the initial half of the current year continued the downward trend in evidence since the early part of 1930. Net income for the six months ended June 30, last, amounted to \$4,388,165 before depletion, or \$1.72 a common share; a decline slightly in excess of 40% from that of \$7,452,046 or \$2.93 a share for the corresponding period a year earlier. Present indications are that little improvement in profits can be reasonably expected during final half; but current annual dividend rate of \$3 a share will be covered by a fair margin, although full 1931 results will be considerably lower than those of \$5.50 a share earned in 1930. The sulphur reserves owned in fee by Texas Gulf are sufficient to allow operations for the next four years, at least, but recent acquisition of leasehold properties will permit continuance of the company's operations for the next forty years. Obviously, however, operation of the leased properties will be less profitable, since the terms of the lease provide for an equal distribution of the profits between Texas Gulf and the lessor, Gulf Oil Co., after the former has been repaid the development cost thereof. The possibility of the more general use of pyrites as a substitute for sulphur should not seriously retard sales of Texas Gulf, since the high cost of shipping pyrites is not conducive to its eco-

(Please turn to page 738)

Odd Lots

A sane course, strongly advised, is to keep your holdings well diversified.

This is especially advisable when business and market conditions are more or less uncertain.

Our booklet, "Odd Lot Trading" offers many suggestions for both the small and large investors who seek to conserve their capital and build up principal.

Ask for booklet M.W. 492

100 Share Lots

John Muir & Co.

Members

New York Stock Exchange

39 Broadway New York

Branch Offices

11 W. 42d St. 41 E. 42d St.

UNITED FOUNDERS CORPORATION

A holding company which controls United States Electric Power Corporation and American Founders Corporation.



UTILITY SECURITIES COMPANY

230 So. La Salle St., CHICAGO

New York St. Louis Milwaukee
Louisville Indianapolis Richmond
Minneapolis San Francisco Detroit
Cleveland Kansas City Los Angeles
Des Moines Tulsa

New York Stock Exchange

RAILS

A	1929		1930		1931		Last Sale 9/9/31	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Atchafalpa	289 1/2	195 1/2	242 1/2	168	208 1/2	125	128 1/2	10
Do Pfd.	104 1/2	99	108 1/2	100	108 1/2	100 1/2	104 1/2	5
Atlantic Coast Line	209 1/2	161	178 1/2	95 1/2	120	78	78	7
Baltimore & Ohio	145 1/2	105	122 1/2	55 1/2	87 1/2	37 1/2	38 1/2	5
Banger & Aroostook	90 1/2	55	84 1/2	50 1/2	66 1/2	45	45	3 1/2
Brooklyn-Manhattan Transit	81 1/2	76 1/2	85 1/2	55 1/2	69 1/2	53	53 1/2	4
Do Pfd.	92 1/2	76 1/2	98 1/2	83	94 1/2	85 1/2	90 1/2	6
Canadian Pacific	268 1/2	185	59 1/2	38 1/2	45 1/2	16 1/2	17 1/2	1 1/2
Chesapeake & Ohio	270 1/2	100	51 1/2	39 1/2	46 1/2	27	32 1/2	2 1/2
C. M. & St. Paul & Pacific	44 1/2	16	26 1/2	4 1/2	8 1/2	3 1/2	3 1/2	...
Do Pfd.	68 1/2	28 1/2	46 1/2	7 1/2	15 1/2	4 1/2	5 1/2	...
Chicago & Northwestern	108 1/2	75	89 1/2	28 1/2	45 1/2	19 1/2	19 1/2	4
Chicago, Rock Is. & Pacific	148 1/2	101	125 1/2	45 1/2	94 1/2	85 1/2	90 1/2	6
Delaware & Hudson	226	141 1/2	151	130 1/2	157 1/2	107 1/2	1108	9
Delaware, Lack. & Western	169 1/2	120 1/2	153	69 1/2	102	40 1/2	41 1/2	4
Erie R. R.	93 1/2	41 1/2	63 1/2	29 1/2	39 1/2	13 1/2	16	...
Do 1st Pfd.	66 1/2	55 1/2	67 1/2	27	45 1/2	21	21	...
Do 2nd Pfd.	63 1/2	52	62 1/2	26	40 1/2	17 1/2	110	...
Great Northern Pfd.	128 1/2	55 1/2	100	51	69 1/2	30 1/2	31 1/2	4
Hudson & Manhattan	58 1/2	34 1/2	53 1/2	34 1/2	44 1/2	33 1/2	33 1/2	3 1/2
Illinois Central	153 1/2	116	136 1/2	65 1/2	89	30	31	4
Interborough Rapid Transit	58 1/2	15	39 1/2	20 1/2	34	16 1/2	17 1/2	...
Kansas City Southern	106 1/2	60	85 1/2	34	45	21 1/2	21 1/2	2
Do Pfd.	70 1/2	63	70	53	64	40	44 1/2	4
Loh Valley	102 1/2	65	84 1/2	40	61	26	26 1/2	...
Louisville & Nashville	154 1/2	110	138 1/2	54	111	61 1/2	62 1/2	5
Mo., Kansas & Texas	65 1/2	27 1/2	66 1/2	14 1/2	29 1/2	9 1/2	9 1/2	...
Do Pfd.	107 1/2	93 1/2	108 1/2	60	85	33	33	7
Missouri Pacific	101 1/2	46	98 1/2	20 1/2	42 1/2	14	15 1/2	...
Do Pfd.	149	105	145 1/2	79	107	43 1/2	44	5
New York Central	256 1/2	160	192 1/2	105 1/2	132 1/2	60 1/2	62 1/2	4
N. Y., Chic. & St. Louis	192 1/2	110	144 1/2	73	88	19	19	...
N. Y., N. H. & Hartford	128 1/2	80 1/2	128 1/2	67 1/2	94 1/2	47 1/2	49 1/2	4
Norfolk & Western	290	191	265	161 1/2	217	139	147 1/2	12
Northern Pacific	118 1/2	75 1/2	97	42 1/2	60 1/2	29 1/2	30	5
Pennsylvania	110	72 1/2	86 1/2	53	64	34 1/2	35 1/2	3
Pittsburgh & W. Va.	148 1/2	90	121 1/2	48 1/2	86	30	30	...
Reading	147 1/2	101 1/2	141 1/2	73	97 1/2	50 1/2	55	4
Do 1st Pfd.	50	41 1/2	50 1/2	44 1/2	46	37	137	2
St. Louis-San Fran.	183 1/2	101	118 1/2	39 1/2	62 1/2	9	12 1/2	...
St. Louis-Southwestern	115 1/2	50	76 1/2	18	33 1/2	7	10 1/2	...
Seaboard Air Lines	21 1/2	9 1/2	12 1/2	1 1/2	1 1/2	1 1/2	1 1/2	...
Do Pfd.	41 1/2	16 1/2	23	5 1/2	9 1/2	4 1/2	4 1/2	...
Southern Pacific	157 1/2	105	127	55	105 1/2	63 1/2	68 1/2	6
Southern Railway	162 1/2	109	136 1/2	46 1/2	82 1/2	20 1/2	20 1/2	6
Do Pfd.	100	93	101	76	89	40	133	5
Texas & Pacific	131	115	145	85	100	55	150 1/2	5
Union Pacific	297 1/2	200	242 1/2	166 1/2	206 1/2	131 1/2	134 1/2	10
Do Pfd.	85 1/2	50	86 1/2	52 1/2	87	82 1/2	82 1/2	4
Wabash	81 1/2	40	67 1/2	11 1/2	26	7 1/2	7 1/2	...
Do Pfd. A	104 1/2	82	89 1/2	39	61	19	19	...
Western Maryland	84	10	36	10	19 1/2	9	10	...
Do 2nd Pfd.	62 1/2	14 1/2	35	11 1/2	20	9 1/2	11 1/2	...
Western Pacific	41 1/2	15	30 1/2	7 1/2	14 1/2	4	6	...
Do Pfd.	67 1/2	37 1/2	53 1/2	23	31 1/2	10 1/2	11 1/2	...

INDUSTRIALS AND MISCELLANEOUS

A	1929		1930		1931		Last Sale 9/9/31	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Adams Express	34	20	37 1/2	14 1/2	23 1/2	11 1/2	12 1/2	1
Air Reduction, Inc.	223 1/2	77	156 1/2	87 1/2	109 1/2	70 1/2	74 1/2	4 1/2
Allegheny Corp.	56 1/2	17	30 1/2	13 1/2	19 1/2	4 1/2	4 1/2	...
Allied Chemical & Dye	354 1/2	197	343	170 1/2	188 1/2	102 1/2	106	6
Allis Chalmers Mfg.	75 1/2	35 1/2	68	31 1/2	42 1/2	18 1/2	22 1/2	2
Amer. Brake Shoe & Fdry.	62	40 1/2	54	20	35	25 1/2	26 1/2	240
American Can	184 1/2	86	156 1/2	104 1/2	129 1/2	87 1/2	88 1/2	5
Amer. Car & Fdy.	106 1/2	75	88 1/2	24 1/2	38 1/2	13 1/2	13 1/2	1
Amer. & Foreign Power	199 1/2	50	101 1/2	25	61 1/2	21 1/2	23 1/2	...
American Ice	54	29	41 1/2	24 1/2	31 1/2	16 1/2	16 1/2	3
Amer. International Corp.	96 1/2	29 1/2	55 1/2	16	28	9 1/2	11 1/2	...
Amer. Mch. & Foundry	279 1/2	142	45	29 1/2	43 1/2	25	25	140
Amer. Power & Light	175 1/2	64 1/2	119 1/2	36 1/2	64 1/2	30 1/2	31 1/2	1
Amer. Radiator & S. S.	55 1/2	25	39 1/2	15	21 1/2	11 1/2	11 1/2	60
Amer. Rolling Mill	144 1/2	60	100 1/2	28	37 1/2	15 1/2	15 1/2	...
Amer. Smelting & Refining	139 1/2	62	79 1/2	37 1/2	58 1/2	26 1/2	28	1
Amer. Steel Foundries	79 1/2	35 1/2	62 1/2	23 1/2	31 1/2	14 1/2	14 1/2	2 1/2
American Stores	91	40	55 1/2	26 1/2	48 1/2	37	144 1/2	5
Amer. Sugar Refining	94 1/2	56	69 1/2	39 1/2	60	42	51 1/2	8
Amer. Tel. & Tel.	210 1/2	193 1/2	274 1/2	170 1/2	201 1/2	156 1/2	163 1/2	9
Amer. Tobacco Corp.	232 1/2	160	127	92 1/2	128 1/2	98 1/2	103 1/2	6
Amer. Water Works & Elec.	199	50	124 1/2	47 1/2	80 1/2	40 1/2	41 1/2	3

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (Continued)

Div'd \$ Per Share		1929		1930		1931		Last Sale 9/9/31	Div'd \$ For Share
		High	Low	High	Low	High	Low		
10	A								
5	Anaconda Copper Mining	140	67 1/4	81 1/4	25	43 1/4	13 1/4	22 1/4	1 1/4
7	Arnold-Constable Corp.	40 1/2	6 1/4	13 1/4	3 1/4	9	3 1/4	5	1 1/4
	Assoc. Dry Goods	70 1/4	25	50 1/4	19	29 1/4	16 1/4	16 1/4	2 1/4
5	Atlantic Gulf & W. I. S.S. Line	80 1/4	32 1/4	80 1/4	33	39	13	13	1
3 1/4	Atlantic Redding	77 1/4	30	51 1/4	16 1/4	33 1/4	11 1/4	15	1
4	Auburn Auto	51 1/4	120	263 1/4	60 1/4	295 1/4	101 1/4	127 1/4	4
1 1/4	B								
2 1/4	Baldwin Loco. Works	65 1/4	15	38	19 1/4	27 1/4	9 1/4	11 1/4	1
	Barnard Corp. Cl. A.	49 1/4	20	34	8 1/4	14 1/4	5 1/4	8	1
4	Beech Nut Packing	101	45	70 1/4	46 1/4	62	44 1/4	146	3
	Bendix Aviation	104 1/4	25	57 1/4	14 1/4	25 1/4	14 1/4	21 1/4	1
	Best & Co.	60 1/4	25	56 1/4	30 1/4	46 1/4	31 1/4	36 1/4	2
4	Bethlehem Steel Corp.	140 1/4	78 1/4	110 1/4	47 1/4	70 1/4	34 1/4	36 1/4	2
6	Bohn Aluminum	136 1/4	37	69	15 1/4	43	20 1/4	34 1/4	1 1/4
	Borden Company	100 1/4	53	90 1/4	60 1/4	78 1/4	47	54 1/4	3
9	Borg-Warner	86 1/4	26	80 1/4	15	30 1/4	14 1/4	17 1/4	1
4	Briggs Mfg.	63 1/4	8 1/4	25 1/4	12 1/4	22 1/4	8 1/4	11 1/4	1 1/4
	Burroughs Adding Mach.	96 1/4	29	51 1/4	18 1/4	32 1/4	19 1/4	22 1/4	1 1/4
	Byers & Co. (A. M.)	192 1/4	50	112 1/4	33 1/4	69 1/4	23 1/4	25 1/4	1
4	C								
	California Packing	84 1/4	65 1/4	77 1/4	41 1/4	53	30 1/4	31 1/4	2
	Calumet & Arizona Mining	136 1/4	73 1/4	89 1/4	28 1/4	43 1/4	23 1/4	36 1/4	1
4	Calumet & Hecla	61 1/4	25	33 1/4	7 1/4	11 1/4	5 1/4	6	1
	Canada Dry Ginger Ale	46 1/4	130	368 1/4	63 1/4	131 1/4	45 1/4	26	3
3 1/4	Caterpillar Tractor	61	50 1/4	79 1/4	23	52 1/4	18	18 1/4	3
	Cerro de Pasco Copper	120	52 1/4	65 1/4	21	30 1/4	13 1/4	13 1/4	1
4	Chesapeake Corp.	92	42 1/4	83 1/4	32 1/4	54 1/4	27 1/4	28 1/4	3
	Childs Co.	78 1/4	44 1/4	67 1/4	22 1/4	33 1/4	14 1/4	16 1/4	1
	Chrysler Corp.	135	86	43	14 1/4	25 1/4	12 1/4	18 1/4	1
2	Coca-Cola Co.	154 1/4	101	191 1/4	133 1/4	170	133	143	7 1/4
4	Colgate-Palmolive-Peet	90	40	64 1/4	44	50 1/4	40	41	2 1/4
	Colorado Fuel & Iron	78 1/4	27 1/4	77	18 1/4	32 1/4	9 1/4	13 1/4	1
5	Columbian Carbon	94 1/4	105	199	65 1/4	111 1/4	51 1/4	58 1/4	5
	Colum. Gas & Electric	140	52	87	30 1/4	45 1/4	20 1/4	26	2
	Commercial Credit	68 1/4	18	40 1/4	15 1/4	23 1/4	13	14 1/4	1.00
	Commercial Solvent	63	20 1/4	35	14	21 1/4	10 1/4	15	1
7	Commonwealth Southern	94 1/4	10	20 1/4	7 1/4	12	6 1/4	7 1/4	1.40
	Consolidated Gas of N. Y.	133 1/4	80 1/4	136 1/4	78 1/4	109 1/4	62 1/4	68 1/4	4
5	Continental Baking Cl. A.	90	26 1/4	52 1/4	18 1/4	30	9 1/4	10	1
	Continental Can. Inc.	92	40 1/4	71 1/4	43 1/4	63 1/4	40 1/4	46	2 1/4
	Continental Oil	47 1/4	42	30 1/4	7 1/4	12	5	8 1/4	1
4	Corn Products Refining	126 1/4	70	111 1/4	65	86 1/4	55 1/4	62 1/4	4
4	Crucible Steel of Amer.	121 1/4	71	98 1/4	50 1/4	63	30 1/4	37	1
12	Cudahy Packing	67 1/4	36	48	38 1/4	48	35 1/4	37 1/4	4
5	Curtis Publishing	133	100	136 1/4	85	100	66	66	4
	Curtiss Wright, Common	30 1/4	6 1/4	14 1/4	1 1/4	5 1/4	2 1/4	2 1/4	1
	Curtiss Wright, A	37 1/4	18 1/4	19 1/4	3	8 1/4	3	13 1/4	1
3	D								
	Davison Chemical	69 1/4	21 1/4	43 1/4	10	23	5	8 1/4	1
4	Drug, Inc.	126 1/4	69	87 1/4	87 1/4	78 1/4	61 1/4	72	4
2	Du Pont de Nemours	281	80	145 1/4	80 1/4	107	71	77 1/4	4
	E								
	Eastman Kodak Co.	284 1/4	150	255 1/4	142 1/4	185 1/4	118	133 1/4	8
	Eaton Axle & Spring	76 1/4	18	37 1/4	11 1/4	21 1/4	9 1/4	10 1/4	1.60
	Electric Auto Lite	174	50	114 1/4	33	74 1/4	34 1/4	35 1/4	6
	Elec. Power & Light	86 1/4	29 1/4	103 1/4	34 1/4	60 1/4	30 1/4	36 1/4	1
	Elec. Storage Battery	104 1/4	55	79 1/4	47 1/4	66	49 1/4	50 1/4	5
6	Endicott-Johnson Corp.	83 1/4	49 1/4	59 1/4	26 1/4	45 1/4	30	41 1/4	3
5	F								
	Firestone Tire & Rubber	37	24 1/4	33 1/4	15 1/4	21 1/4	13	17	1
	First National Stores	90	44 1/4	61 1/4	38 1/4	63	41	56 1/4	2 1/4
	Foster Wheeler	95	35	104 1/4	37 1/4	64 1/4	20	20 1/4	1
10	Fox Film Cl. A.	105 1/4	19 1/4	87 1/4	16 1/4	38 1/4	11 1/4	13 1/4	2 1/4
4	Freight Texas Co.	54 1/4	23 1/4	55 1/4	24 1/4	43 1/4	22	24	3
	G								
	General Amer. Tank Car	129 1/4	75	111 1/4	58 1/4	73 1/4	52 1/4	55 1/4	4
	General Asphalt	94 1/4	42 1/4	71 1/4	28 1/4	47	15 1/4	18	2
	General Electric	408	168 1/4	95 1/4	41 1/4	54 1/4	36	38 1/4	1.60
	General Foods	81 1/4	35	61 1/4	44 1/4	55 1/4	43 1/4	47 1/4	3
	General Mills	89 1/4	50	59 1/4	40 1/4	50	35	39	3
	General Motors Corp.	91 1/4	33 1/4	54 1/4	31 1/4	48	31 1/4	32 1/4	3
	General Railway Signal	128 1/4	70	106 1/4	68	84 1/4	40	44 1/4	5
	General Refractories	85 1/4	50	90	39	57 1/4	29	32	3
	Gillette Safety Razor	143	80	108 1/4	18	38 1/4	15 1/4	16	1
	Gold Dust Corp.	32	31 1/4	47 1/4	29	42 1/4	21	24 1/4	2 1/4
	Goodrich Co. (B. F.)	105 1/4	38 1/4	58 1/4	15 1/4	20 1/4	8 1/4	9 1/4	1
	Goodyear Tire & Rubber	164 1/4	60	96 1/4	35 1/4	52 1/4	30 1/4	38	3
	Granby Consol. Min., Smelt. & Pr.	102 1/4	46 1/4	59 1/4	12	22 1/4	10	10 1/4	1
	Grand Union	32 1/4	9 1/4	20 1/4	10	18 1/4	10 1/4	15	1
	Great Western Sugar	44	28	34 1/4	7	11 1/4	7 1/4	8 1/4	1
4 1/4	Gulf States Steel	79	42	80	15	37 1/4	10 1/4	12	1
6	H								
2	Hershey Chocolate	143 1/4	45	109	70	103 1/4	83 1/4	95	5
2.40	Houston Oil of Texas	109	26	116 1/4	29 1/4	68 1/4	27	35 1/4	1
5	Hudson Motor Car	92 1/4	33	62 1/4	13	26	11	13 1/4	1
1	Hupp Motor Car	82	15	26 1/4	7 1/4	13 1/4	5 1/4	6 1/4	1
3	I								
40	Inland Steel	113	71	98	58	71	39	137 1/4	2 1/4
1.60	Inter. Business Machines	255	109	197 1/4	131	179 1/4	117	136 1/4	6
	Inter. Cement	102 1/4	48	75 1/4	49 1/4	62 1/4	27 1/4	29	4
	Inter. Harvester	142	65	118 1/4	45 1/4	60 1/4	39 1/4	34	2 1/4
	Int. Match Fld.	102 1/4	47	58 1/4	28 1/4	52 1/4	39 1/4	40 1/4	4
	Inter. Nickel	73 1/4	28	44 1/4	12 1/4	20 1/4	9 1/4	11 1/4	1.40
	Inter. Paper & Power "A"	113	57	31 1/4	5 1/4	10 1/4	3 1/4	3 1/4	1
	Inter. Tel. & Tel.	149 1/4	53	77 1/4	17 1/4	38 1/4	8 1/4	24 1/4	2
2 1/4	J								
9	Jewel Tea	84 1/4	45	66 1/4	37	57 1/4	36 1/4	40	4
3	John-Manville	242 1/4	90	146 1/4	45 1/4	80 1/4	40 1/4	47 1/4	3
ET	K								
	Kennecott Copper	104 1/4	49 1/4	63 1/4	20 1/4	31 1/4	14 1/4	16 1/4	1
	Kresge Co. (B. S.)	87 1/4	28	36 1/4	20 1/4	29 1/4	28	36 1/4	1.60

SEPTEMBER 19, 1931

New High Record

34% Profit Sharing

51% Interest

85%

IN 8 1/2 YEARS

With the payment
on August 31,
1931, of the semi-
annual profit shar-

ing of 2%, original holders of the 6%
Profit Sharing Bonds of CREDIT SER-
VICE, INC., a leader among industrial
banking institutions, have received
85% on their investment—with principal
still intact and over 16 years of
bond interest and profit sharing ahead.

The 6% Bonds, with corresponding Certifi-
cates of Profit Sharing, are available at \$100. A
customer market is maintained.

Mail coupon now for information.

CREDIT SERVICE ASSOCIATES, Inc.

Graybar Bldg.

New York

NAME

ADDRESS

M.W.-9-19-31

COLUMBIA UNIVERSITY



HOME STUDY COURSES

INVESTMENTS

EVERYONE who invests or advises
about investments should know well
the underlying principles that govern
the issuance of securities of all types. He
should know where and how to get re-
liable information about any individual
security, and how to evaluate it.

The large or small investor, as well as
the banker, broker or business execu-
tive, will find in the Columbia "Invest-
ments" course information that is essen-
tial to intelligent use of funds. "Invest-
ments" is valuable to people even of
wide practical experience. The infor-
mation it contains should be mastered
by everyone who directly or indirectly
influences the investment of money.

We shall be glad to send full informa-
tion upon request.

COLUMBIA UNIVERSITY, Home Study Department,
New York, N. Y. Please send me full information
about Columbia University Home Study Courses.
I am interested in the following subjects:

Mag. W. H. 9-19-31

Name

Street

City State

THE BACHE REVIEW

Facts and Opinions Condensed

Readers of the Review are invited to avail themselves of our facilities for information and advice on stocks and bonds, and their inquiries will receive our careful attention, without obligation to the correspondent. In writing please mention The Bache Review.

Sent for three months, without charge

J.S. BACHE & Co.

Members New York Stock Exchange

42 Broadway New York

Comparative Analysis

of
Representative Common Stocks

BOND AND PREFERRED STOCK
INVESTMENT SUGGESTIONS

Refer to circular 8-26-4

McCLAVE & Co.

MEMBERS
New York Stock Exchange
New York Cotton Exchange
New York Curb Exchange (Associate)

67 Exchange Place, New York
Telephone HANover 2-6220

BRANCHES

Central Savings Bank Bldg., 2112 Bway., N. Y.
1451 Broadway, Cor. 41st St., N. Y.
71 Vanderbilt Avenue, N. Y.
New Brunswick, N. J.

WE extend the facilities of our organization to those desiring information or reports on companies with which we are identified.

Electric Bond and Share Company

Two Rector Street
New York

The NATIONAL GROUP

NATIONAL
ELECTRIC POWER COMPANY
NATIONAL
PUBLIC SERVICE CORPORATION

A part of the
MIDDLE WEST UTILITIES SYSTEM

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (Continued)

K	1929		1930		1931		Last Sale 9/9/31	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Kroger & Toll	44%	32%	35%	20%	27%	13	13%	1.41
Kroger Grocery & Baking	123%	38%	48%	17%	35%	13	28%	1
L								
Lambert Co.	157%	80%	113	70%	87%	56	69	8
Lohn & Fink	68%	28	36	21	34%	22%	25%	3
Liggett & Myers Tob. B.	106	80%	114%	78%	91%	60%	83%	6
Liquid Carbonic	113%	40	81%	39	55%	20%	21	8
Loew's, Inc.	84%	32	98%	43%	63%	36%	47%	3
Loose-Wiles Biscuit	83%	39%	70%	40%	54%	40%	47%	2.90
Lorillard	31%	14%	28%	6%	21%	11%	15%	..
M								
Mack Truck, Inc.	114%	55%	89%	33%	43%	21%	24%	3
Macy (R. H.)	255%	110	150%	61%	106%	60%	74%	3
Magma Copper	82%	85	52%	19%	27%	10%	11%	1
Marine Midland	..	..	32%	17%	24%	13%	13%	1.90
Mathieson Alkali	72%	29	51%	30%	31%	17%	21%	2
May Dep. Stores	108%	45%	61%	27%	39	28	29%	2 1/2
McKeesport Tin Plate	82	54	89%	61	103%	63%	64%	4
Mont. Ward & Co.	156%	42%	49%	15%	29%	15%	17%	..
N								
Nash Motor Co.	118%	40	58%	21%	40%	20	22%	4
National Biscuit	236%	140	93	68%	83%	49%	51%	2.80
National Cash Register A.	148%	59	83%	27%	39%	13%	23%	..
National Dairy Prod.	96%	36	63	35	50%	26%	30%	2.60
National Lead	310	129%	189%	114	133	85	99	5
National Power & Light	71%	23	58%	30	44%	20%	21%	1
North American Co.	186%	66%	132%	57%	90%	58%	63	\$10%
O								
Otis Elevator	55	22%	80%	46%	58%	31%	33%	3 1/2
Otis Steel	55	22%	38%	9%	16%	6%	17%	..
P								
Pacific Gas & Electric	98%	42	74%	40%	54%	38	42%	2
Pacific Lighting	146%	58%	107%	46	60%	48%	49	3
Packard Motor Car	32%	13	23%	7%	11%	5%	6%	.40
Paramount Public	75%	35	77%	34%	50%	19%	21%	1.68%
Pennay (J. C.)	106%	68	80	27%	44%	28%	39%	2.40
Phillips Petroleum	24%	24%	44%	11%	16%	4%	7%	..
Prairie Oil & Gas	65%	40%	54	11%	20%	6%	9%	..
Prairie Pipe Line	65	48	60	16%	20%	16%	16	3
Procter & Gamble	98	43%	78%	52%	71%	60	61	2.40
Public Service of N. J.	137%	54	123%	65	96%	78	74	3.40
Pullman, Inc.	99%	73	89%	47	58%	27%	28	4
Pure Oil	30%	20	27%	7%	11%	5%	7%	..
Purity Bakeries	148%	55	88%	36	55%	19	19%	3
R								
Radio Corp. of America	114%	28	60%	11%	27%	12	17%	..
Radio-Keith-Orpheum	40%	12	50	14%	24%	11%	13%	..
Remington-Rand	87%	20%	46%	14%	19%	5%	6	..
Republic Steel	146%	62%	79%	10%	25%	10	10%	..
Reynolds (E. J.) Tob. Cl. B.	60	39	58%	40	54%	40%	46%	3
Royal Dutch	64	43%	56%	36%	42%	19%	20%	2.23
S								
Safeway Stores	195%	90%	123%	38%	69%	38%	61	5
Sears, Roebuck & Co.	181	80	100%	43%	63%	44%	52%	2 1/2
Shell Union Oil	31%	19	25%	5%	10%	4%	5	..
Simmons Co.	128	89%	94%	11	23%	10%	13%	..
Sinclair Consol. Oil Corp.	48	21	32	9%	15%	6%	9%	..
Shell Oil Corp.	46%	28	42	10%	12%	3%	5%	..
So. Cal. Edison	93%	45%	72	40%	54%	36	41%	3
Socoony-Vacuum Corp.	..	..	..	..	..	..	..	..
Standard Brands	44%	20	29%	14%	20%	17%	17%	1.60
Standard Gas & Elec. Co.	243%	73%	129%	53%	207%	85%	88%	3 1/2
Standard Oil of Calif.	81%	51%	75	42%	51%	31%	36%	2 1/2
Standard Oil of N. J.	83	48	54%	43%	52%	30%	36%	2
Stewart-Warner Speedometer	77	30	47	14%	21%	8	8%	..
Stone & Webster	201%	64	113%	37%	54%	23%	24	3
Studebaker Corp.	98	38%	47%	18%	26	14%	15	1.20
T								
Texas Corp.	71%	50	60%	28%	36%	18	23%	2
Texas Gulf Sulphur	85%	42%	67%	40%	55%	29%	33%	3
Tide Water Asso. Oil	23%	10	17%	5%	9	4	5%	..
Timken Roller Bearing	139%	58%	89%	40%	50	28%	29%	2
U								
Underwood-Elliott-Fisher	181%	82	138	49	75%	38%	38%	4
Union Carbide & Carbon	140	59	106%	52%	72	45%	47	2.00
United Aircraft & Trans.	168	31	99	18%	38%	20%	24%	..
United Corp.	75%	19	52	13%	31%	16%	20%	.75
United Fruit	158%	99	105	46%	67%	42%	50%	4
United Gas Imp.	59%	22	49%	24%	37%	25%	27%	1.30
U. S. Industrial Alcohol	243%	95	139%	50%	77%	24%	30%	..
U. S. Pipe & Fdr.	55%	12	38%	18%	37%	16%	17	2
U. S. Realty	119%	50%	75%	35%	36%	13%	13%	1
U. S. Rubber	62	15	35	11	20%	10%	11%	..
U. S. Smelting, Ref. & Mining	72%	29%	36%	17%	25%	13%	13%	1
U. S. Steel Corp.	261%	150	198%	134%	152%	79%	80%	4
V								
Vanadium Corp.	116%	37%	143%	44%	76%	23%	25	..
W								
Warner Brothers Pictures	64%	30	80%	9%	20%	4%	9	..
Western Union Tel.	272%	155	210%	129%	150%	96%	106	8
Westinghouse Air Brake	67%	26%	52	21%	36%	20	20%	2
Westinghouse Elec. & Mfg.	298%	100	201%	88%	107%	54%	54%	2
White Motor	53%	27%	43	21%	26%	13%	13%	..
Woolworth Co. (F. W.)	103%	52%	72%	51%	72%	54%	64%	2.60
Worthington Pump & Mach.	127%	43	109	47	106%	37%	40	..
Y								
Youngstown Sheet & Tube	143	91	150%	69%	78	32	33%	..

† Bid Price. \$ Payable in stock.

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

Air Reduction	722
Bohn Aluminum & Brass	721
Brown Shoe Co.	738
Burroughs Adding Machine Co.	719
Central Hanover	716
Chase National	716
Drug, Inc.	738
General American Tank Car Corp.	733
General Motors Corp.	733
Goodyear Tire & Rubber Co.	732
Guaranty Trust	716
Kresge Co., S. S.	738
Kroger Grocery	721
Lehn & Fink Products Corp.	732
Manhattan Co.	716
McCrary Stores Corp.	720
Pillsbury Flour Mills, Inc.	719
Radio-Keith-Orpheum Corp.	732
Republic Steel Corp.	733
Standard Brands	721
Stone & Webster, Inc.	721
Texas Gulf Sulphur Co.	733
Waldorf Systems, Inc.	720

Bonds

Southern Pacific Co., Oregon Lines 1st "A" 4½s, 1977	712
--	-----

Investment Trusts

Commercial Investment Trust	721
-----------------------------------	-----

Petroleum

Socony-Vacuum Corp.	718
--------------------------	-----

Mining

International Nickel	721
----------------------------	-----

Public Utilities

Louisville Gas & Electric Co.	718
United Corp.	721
United Gas Improvement	721
United Light & Power "A"	714

Important Corporation Meetings

Company	Specification	Date of Meeting
American Can Co.	Common dividend	9-29
American Home Prod.	Common dividend	9-24
American Ice	Pfd. and Com. divs.	9-22
Anaconda Copper Mining Co.	Directors	9-24
Brooklyn-Manhattan Transit.	Common div.	9-21
Byers (A. M.) & Co.	Preferred div.	9-23
Canada Dry Ginger Ale, Inc.	Com. div.	9-21
Corn Products Refin. Pfd. and Com. divs.		9-25
Delaware, Lack. & West. R. R.	Directors	9-24
Dixon (Joseph) Crucible Co.	Com. div.	9-21
Eaton Axle & Spring Co.	Common div.	9-24
Gold Dust Corp.	Common dividend	9-23
Liquid Carbonic Corp.	Common dividend	9-24
McCrary Stores Co.	Preferred dividend	9-24
National Distillers Prod. Corp.	Com. div.	9-24
New Jersey Zinc Co.	Common dividend	9-30
Northern Pacific Ry. Co.	Common div.	9-23
Reading Company	Common dividend	9-25
Southern Calif. Edison Co.	Common div.	9-25
Southern Union Gas Co.	Directors	9-29
Telegraph Corp.	Common dividend	9-24

SEPTEMBER 19, 1931



An all-weather business . . .

Any kind of weather is good weather in the telephone business. Rainy days put no damper on calls. More and more the American public is relying on the telephone.

Today there is a Bell or Bell connecting telephone to every six persons, compared with one for every nine in 1920. Growth of the "telephone habit" is outstripping the use of all other forms of communication.

For the investor this means



security behind the security. It is a factor that appeals strongly to the more than 600,000 American Telephone and Telegraph stockholders.

Another assurance is the careful management of the Bell properties. Dividends have been paid continuously for fifty years. Surplus has been invested in telephone property for the protection of the service.

May we send you a copy of our booklet, "Some Financial Facts"?

BELL TELEPHONE SECURITIES CO. Inc.

195 Broadway, New York City



THEODORE GARY AND COMPANY KANSAS CITY, MISSOURI

Ninety-Third Consecutive Quarterly Dividend

The regular quarterly dividend for quarter ending September 30, 1931 of 40c per share on the No Par Preferred Stock has been declared payable October 1, 1931 to stockholders of record as of the 16th day of September, 1931 at 3 P. M. The usual dividend on the Common Stock has been declared payable October 1, 1931 to stockholders of record as of the 30th day of September, 1931.

(Signed) C. A. BENNETT,
September 8, 1931 Senior Vice-President and Treasurer.

Is It Possible to Control the Business Cycle?

(Continued from page 728)

early months of 1930. This amounted to business and the Government sticking their respective heads ostrichlike in the sand.

The fluctuations of business constitute an automatic stabilizing process and it is to be doubted that for this we can substitute any artificial control. Before attempting to do so, which involves the tremendous risk of making matters worse rather than better, we will at least have to attain a much greater and more exact knowledge of the economic forces actually involved. Furthermore, more than the ordinary cyclical factors are involved in the present depression. It has been intensified by such factors as the drought of last year, political unrest in many countries, fears concerning Russia and the irritating and hampering effects of tariff barriers. The word cycle in itself is perhaps an unfortunate term. Periodic fluctuation does occur, but the changes habitually vary so much in degree and time that practical utilization of them by the average business man and investor is extremely difficult.

Answers to Inquiries

(Continued from page 733)

nomic use. In view of the company's dominating position in the industry, strong financial condition and moderately favorable prospects during the next two or three years, upon the return of more normal business conditions, we advise against sacrificing holdings of the shares by holders able to assume the risks attendant to a speculative commitment.

BROWN SHOE CO.

I have a nice profit on 100 shares of Brown Shoe Co. A friend of mine advises me to take it but it seems to me that if the company can do so well during the depression that with any change in the business outlook this stock should be worth more. Will you please give me your opinion?—T. M. T., Utica, N. Y.

The Brown Shoe Co. is the third largest shoe manufacturer in the United States, operating 15 plants in addition to owning two distributing houses in St. Louis. A wide variety of shoes are manufactured, the better known

brands being "Buster Brown" for boys and girls, "Brownbilt" for men and women and "Blue Ribbon" work shoes. The company specializes upon popular priced shoes, an important factor during a period of curtailed public buying power. The majority of the company's plants produce shoes which retail for not more than \$6 a pair. Despite a drop of approximately 11% in sales in the first six months of the current fiscal year, net profits of the Brown Shoe Co. were but 5% below earnings for the corresponding period of the previous fiscal year. Earnings in the six months ended April 30, 1931, were equivalent to \$1.72 a share, against \$1.83 a year earlier. The financial position is favorable, and only 37,297 shares of preferred stock precede the common shares. The dividend was covered by earnings in the first half year, and the outlook for the company appears to be favorable. Provided you are willing to hold your shares for a period of six months to a year, we see no reason for taking your profit at this time.

S. S. KRESGE CO.

I am greatly disappointed in the market action of S. S. Kresge Co. Its business seems to hold up very well considering conditions and yet the stock has a most exceedingly narrow range for 1931. I have 300 shares purchased at almost the top for last year. Do you think it will pay to hold or would you advise me to sell now?—R. J. D., Wilmington, N. C.

S. S. Kresge Co. occupies the position of second leading enterprise in its field, with 663 American and 33 Canadian stores in operation at the close of July, 1931. In order to obtain a better understanding of the company, it should be noted that the stores are segregated into two divisions, namely—5 to 25-cent units, and 25 cents to \$1 stores, the former substantially the greater revenue producer. Operations of the latter group have been affected adversely by department and specialty store competition, but it is the belief of the management that this unfavorable development will be overcome through local advertising mediums. Sales for the first seven months of the current year have been well maintained, declining only 0.4% from those of a year earlier. Moreover, economies in operations have been effected during the year, and it is believed that profits are running slightly above those of last year. Thus, it is not unreasonable to assume that net income for the full 1931 year will moderately exceed that of \$1.90 a common share reported for the twelve months ended December 31, 1930. Balance sheet as of the close of last year revealed a strong financial condition; ratio of current assets to current liabilities was more than 3.6 to 1.

Although substantial price appreciation for the shares is not an early prospect, we see no reason for disturbing present commitments at this time.

DRUG, INC.

My broker strongly advises the purchase of Drug, Inc. He believes in view of its wide diversification of products and ability to maintain earnings, that with any signs of general business improvement this stock may easily jump 15 to 20 points. What is your opinion?—H. D. O., Flint, Mich.

Drug, Inc., manufactures a long list of proprietary medicines and toilet preparations, operating both in the wholesale and retail fields. The retailing is carried on through operation of about 700 Liggett stores in this country and Canada, the Boots drug stores in England and about 11,000 Rexall units. All of the products of Drug, Inc., have been nationally advertised for so long that they are well known throughout the world. The essential nature of the business of Drug, Inc., and its diversification of products have given a large degree of stability to earnings, which was never more noticeable than during the present depression. In 1930, the company earned \$6.03 a share, against \$6.35 in 1931, while in the first half of the current year profits rose to \$3.04 a share, as compared with \$3.01 in the initial six months of 1930. The regular annual \$4 dividend is covered by a wide margin and the stock appears to be selling at very attractive levels in relation to the demonstrated earning power of the company. We would approve a purchase around current levels for holding as a semi-investment, although in view of current market conditions, it is difficult to foresee such rapid price appreciation as your broker looks for.

Short Selling

(Continued from page 727)

sell 30,000 shares short. In order to deliver this stock to the new bulls who have bought it, brokers must borrow 30,000 shares. Should the pool refuse to lend any of its holdings it would be necessary to borrow the entire floating supply elsewhere, and this might be scattered among small speculators all over the country. The demand for certificates would thereby become so great that brokers would offer to advance money without interest on such collateral by way of inducing holders to lend their certificates. In such instances the stock is said to be "loaning flat." Occasionally the amount of

When doing business with our advertisers, kindly mention THE MAGAZINE OF WALL STREET.

Wide and Rapid Fluctuations Are Imminent for Many Stocks

AN unexpected dividend omission or reduction may readily cause many issues to decline from five to twenty points or more over a few days or a week.

Maintenance of the regular dividend, however, and a favorable third quarter earnings report may easily create a sudden investment demand for certain issues resulting in a rout of the "shorts" and a substantial advance over a brief period.

It has always been so. The final stages of a bear market such as we are witnessing now offer the properly guided trader the opportunity to make quick and substantial profits such as have not been open since the end of the bull market in October 1929.

Why keep your capital tied up in weak or vulnerable issues and see it steadily melt away?

Why be satisfied to let your funds remain inactive when outstanding profit opportunities are available?

The trader and investor who acts now will garner the exceptional profits that are developing—and build up his principal awaiting the definite upturn. When the market is full of cross currents as at present it offers a multitude of opportunities and we will definitely and consistently recommend to you those that offer the greatest possibilities. Expert and continuous guidance is more essential than ever to help you recover losses and use your present security holdings or liquid funds as the basis of a profitable campaign.

Subscribing to THE INVESTMENT AND BUSINESS FORECAST of The Magazine of Wall Street now may readily mean thousands of dollars to you within the next few months. Put our corps of experts to work for you—let them seek out opportunities, analyze conditions, weigh the possibilities and—once a recommendation is made—study daily the action of the security until the time comes to close out the commitment.

This Complete Service for Six Months Only \$75

THE INVESTMENT AND
BUSINESS FORECAST
of
The Magazine
of
Wall Street

MAIL THIS COUPON TODAY

Sept. 19

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street, 42 Broadway, New York, N. Y.

Cable Address: TICKERPUB

I enclose \$75 to cover my six months' test subscription to The Investment and Business Forecast. I understand that I am entitled to the complete service outlined above. (\$150 will cover a 13 months' subscription.)

Name

Address

City State

☐ Telegraph me collect the current Bargain Indicator recommendation and thereafter as described in (b).

☐ Telegraph me collect the current Unusual Opportunity recommendation and thereafter as described in (c).

☐ Telegraph me collect the current Trading Advices and thereafter as described in (d).

The Investment and Business Forecast is designed to guide you in steadily increasing your capital and income through definite and continuous recommendations. It is a well-rounded service readily adapted to individual requirements.

(a) Investments Mainly for Income but with possibilities for enhancement in value due to investor demand. Recommended and carried in our Bond and Preferred Stock departments.

(b) Investments for Income and Profit. Sound dividend-paying common stocks entitled to investment rating, with good profit possibilities. Recommended and carried in our Bargain Indicator.

(c) Speculative Investments. Low-priced common stocks that offer outstanding possibilities for price appreciation over a moderate period. Recommended and carried in our Unusual Opportunities.

(d) Trading Advices through the intermediate swings (for the purpose of securing profits that may be applied to the purchase of investment and income-producing securities).

You can use one or all departments. Telegraphic service is available on any one or all of the last three. Telegrams are confirmed by mail.

Continuing tables showing the status of all recommendations appear in our weekly editions.

You will also be entitled to the full consultation privileges of our Personal Service Department throughout the entire term of your subscription. This department on request will advise you what steps to take to keep your portfolio on a sound, profit-pointing basis.

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of September 10, 1931

Name and Dividend	1931 Price Range		Recent Price	Name and Dividend	1931 Price Range		Recent Price
	High	Low			High	Low	
Aluminum Co. of Amer.	22 1/2	90	112 1/2	Hudson Bay M. & S.	6 1/2	3 1/2	3 1/2
Amer. Commonwealth Pr-A (Stk. 10%)	17	9 1/2	10 1/2	Humble Oil (2 1/2)	7 1/2	4 1/2	5 1/2
Amer. Cyanamid B.	12 1/2	6 1/2	6 1/2	Internat. Pet. (1)	15 1/2	8 1/2	11 1/2
Amer. Lt. & Tr. (2 1/2)	54 1/2	34 1/2	35 1/2	International Utilities B.	10 1/2	5 1/2	6
Amer. & Foreign Pwr. War. 31 1/2	11	12 1/2	12 1/2	Mid West Util. (8% stk.)	25 1/2	14 1/2	14 1/2
Amer. Gas Elec. (1)	97 1/2	48 1/2	58	New Jersey Zinc (3)	51	34 1/2	34 1/2
Amer. Superpower (.40)	19 1/2	8 1/2	9	Niagara Hudson Power (.40)	15 1/2	9 1/2	9 1/2
Assoc. Gas Elec. "A" (1)	23 1/2	10	10 1/2	Niagara Hudson Pwr. A war. 3 1/2	1 1/2	1 1/2	1 1/2
Brazil T. L. & F. (1)	28 1/2	12 1/2	15 1/2	Ohio Brass "B" (2)	70	25	25
Central Stat. El. (10% stk.)	12 1/2	5 1/2	6	Pennroad Corp. (.40)	8 1/2	4 1/2	5
Cities Service (.30)	20 1/2	8 1/2	9 1/2	Public Util. Holding Corp. of Amer. (x. war.)	6 1/2	2 1/2	2 1/2
Cities Service Pfd. (6)	84 1/2	61 1/2	68 1/2	St. Regis Paper (.60)	21 1/2	10 1/2	10 1/2
Commonwealth & South. War. 2 1/2	1 1/2	1 1/2	1 1/2	Selected Ind. Allot. Cfs. (5 1/2)	71	42 1/2	51
Cord Corp.	15	5 1/2	6 1/2	Standard Oil of Ind. (1)	38 1/2	19 1/2	24 1/2
Deere & Co.	44 1/2	15 1/2	15 1/2	Standard Oil of Ky. (1.60)	23 1/2	15 1/2	19 1/2
Durant Motors	3 1/2	1 1/2	1 1/2	Stutz Motor Car	28	9 1/2	11 1/2
Elec. Bond Share (6% stk.)	61	30	30 1/2	Trans Lux	13 1/2	4 1/2	4 1/2
Ford Mot. of Canada A (1.20)	29 1/2	14 1/2	17 1/2	United Founders	10 1/2	4	4 1/2
Ford Motors, Ltd. (.36%)	19 1/2	9	9	United Lt. & Pow. A (1)	34 1/2	17 1/2	17 1/2
Fox Theatre, A	6 1/2	2 1/2	2 1/2	United Gas Corp.	11 1/2	4 1/2	5
Goldman Sachs T.	11 1/2	3 1/2	4	U. S. Elec. Pwr. (w. w.)	8 1/2	3 1/2	3 1/2
Gulf Oil (1.5)	75 1/2	38	51 1/2	Utility Pow. & Lt. (1.03 1/2)	14 1/2	6 1/2	7 1/2
				Woolworth (F. W.) Ltd.	12 1/2	9 1/2	10 1/2

stock which can be borrowed is so small in comparison with the demand that brokers are even willing to pay a "premium" to those who will loan their certificates. Premiums paid on borrowed stock are always charged to the short seller's account. In rare instances this might amount to a large fraction of 1% daily.

Bears are usually much more easily stampeded out of their positions than are the bulls. Good news, refusal of the stock to go down when raided, or difficulty in borrowing it—any one of these circumstances—may start a sharp rally as shorts scramble to cover. It is with this goal in mind that pools sometime encourage the building up of a short interest by letting traders "sell in their bag" and loaning their own holdings freely for awhile. When the time seems ripe, the pool then calls in its stock loans and thereby compels the shorts to compete against each other in a frenzied effort to cover stock that can no longer be borrowed for delivery.

The loaning rate for stocks is not a reliable indication of the size of the short interest; because large holders of securities make a practice of withholding delivery of long stock they are liquidating until the process is completed. This necessitates temporary borrowing of certificates to settle contracts, and may create a temporary demand for stock loans of sufficient proportions to force down the loaning rate or even give rise to a premium.

When such long stock is eventually delivered the premiums quickly vanish. During periods of low call money, as at present, flat rates and premiums on borrowed stocks are unusually common; for only a small demand for stocks at the stock loan desk suffices to wipe out the normal call money charge.

Exaggerated notions are frequently entertained about the size of an existing short interest. A questionnaire sent out by the New York Stock Exchange toward the end of the market crash in 1929 disclosed that the short interest at the close of business on November 12 amounted to only 1/8 of 1% of the total market value of stocks then listed. This is surely not enough to cause the great decline in prices which is frequently charged to the bears. One wonders even how such a small short interest can be regarded as the source of market strength which is often credited to short covering. As to the latter, however, it may be observed that the bulk of the short interest is usually concentrated in a few market leaders and volatile specialties; so that the stampeding of a concentrated short interest in a small group of stocks may lead to a sympathetic rise in other stocks which harbor no short interest. Dull markets, in which public interest is at a minimum and professional activities thus predominate, are especially susceptible to drives against the shorts. At such times the market is said to be "bare of stocks."

Capitalizing Ingenuity

(Continued from page 707)

for Sun-Maid, which everyone immediately associates with the best of California raisins. And this reminds one, for some reason, that not one person in a dozen can tell offhand the difference between the illustrations on the Dromedary date cartons and on the Camel cigarette packages.

Are you going to use blue coal this winter? The answer given to this query by a few hundred thousand householders will determine whether the plan adopted by certain Pennsylvania anthracite miners has any value as a business producer. The coal business is certainly not prospering, nor is there anything of particular interest in sight for it. All over the country householders and business buildings are turning to oil-burners for heat, to gas for heating the water supply—and coke is making inroads also into the realm of home heating. So a coal marketing organization has arranged for the best anthracite it tends to be sprayed with a solution that coats every piece a bright blue, but does not affect its combustion or heating qualities. That coal is just as much trademarked as a tin of Campbell's soups or one of Heinz's 57 varieties. The time may come when the social leaders form themselves into a clique and refuse to admit those who don't burn blue coal—or who do; that depends on how this campaign eventuates.

As for the coke—the Koppers organization maintains its own force of men who not only induce the householder to try out coke but send a furnace expert around to start the first fire and to tend the furnace from time to time to make sure that the fuel is being used properly. Koppers has opened a number of central offices and all incoming telephone calls on which there is a toll or long distance charge are received by these offices on a reversed basis—that is the company pays the tolls. Metropolitan department stores have inaugurated the same system. Madame who lives thirty miles out of town can call up and order a spool of thread delivered if she wishes, and the store will pay the 25- or 50-cent telephone toll. That transaction may not pay, but Madame will very probably use the phone again and again and in the long run the profit on her trade and that of her neighbors will absorb the telephone charges.

Returning to the fuel matter, it has patently been up to the coal interests to do something for several years. One of the leading automatic oil heating

makers will now install the heater without an installation charge and will also provide the first 1,000 gallons of oil, free. Not only that but the installation and cost of the system are all financed for you on the easy payment plan, a plan by the way which some of the coal dealers have extended to the householder who will order his entire winter supply of coal right now. It was the intensive use of this same plan of course which was used by the manufacturers of automatic refrigerators, radios, and the automobile to establish and afterwards widely expand their businesses. Enough has been written of financed buying, or as it is colloquially styled, the partial payment plan. It need not be discussed here except to mention its continuing popularity despite the heavy artillery brought to bear on it from so many sides. Those offering its advantages to today's buyers have extended greatly the period of payment, and this reflects our reduced earning power as well as our unwillingness to spend. It is now possible to pay in 18 months or two years; two or three years ago eight to twelve months was the normal period. There is this difference, however. When we were all ordering things freely the easy payment plan was one of the principal lures employed by anxious vendors of all sorts of wares. Now the real effort is expended in stirring unwilling spenders to take sufficient interest in standard products to make up their minds to buy. Terms of payment are secondary; a sort of clinching argument.

Only a few of the multiplying signs of intelligent salesmanship that are coming to the front are discussed here. Many of us can add dozens of instances to the list. Such other incidents, for example, as the spending by Standard Brands in 1930 of \$3,000,000 more for advertising than its constituent companies had spent in the preceding year—and the excellent 1931 business traceable to this wise expenditure. It popularized Standard Brands in the housewives' minds as "the other name" for three products: Fleischman's Yeast, Royal Baking Powder and Chase & Sanborn Coffee. The user of only one of the three gravitated to the use of the two others—that was the psychological premise upon which the advertising appears to have rested.

General Foods, through the practical value and palate appeal of the instantaneous freezing process, has developed a demand for frozen edibles that not only required the education of the national appetite but had to be preceded also by the removal of prejudices of long standing. One had to convince a doubting housewife that lettuce could be frozen and then thawed to its pristine crispness. A score of other new truths had to be put across, as the

You Can Buy Good Securities

In Small or Large Lots on

Partial Payments

Ask for Booklet MW-6 which explains
our plan and terms

ODD LOT ORDERS SOLICITED

Outright Purchase or Conservative Margins

James M. Leopold & Co.

Members of New York Stock Exchange

70 Wall Street

New York

Established 1884

BUILDING & LOAN ASSOCIATIONS

New York

DO YOU SAVE REGULARLY?

Saving systematically is one reason why so many people are financially successful. You too can get the habit of saving regularly by subscribing to our monthly installment shares. Write for descriptive literature and convince yourself.

SERIAL BUILDING LOAN SAVINGS INSTITUTION
105 Broadway 170 Fulton St. 162 West Broadway NYC

When writing to our Building & Loan Association advertisers please mention
THE MAGAZINE OF WALL STREET.

Colorado

6% on Savings

Save as you can. Enjoy the protection and liberal income offered by Colorado's Largest Guarantee Capital Association. Sound. Conservative. State Supervised.

PASS BOOK ACCOUNTS permit deposits of varying sums from time to time, as desired. CERTIFICATES in bond form are issued for lump sum investments.

Owned by investors in 46 states and 11 foreign countries.

Write today, now, for folder S 16 explaining withdrawal and other privileges.

SILVER STATE

Building and Loan Association
1644 Welton Street, Denver, Colorado

MARKET STATISTICS

	N. Y. Times		Dow Jones Aves.		N. Y. Times		Sales
	40 Bonds	30 Indus.	20 Rails	High	Low		
Monday, August 31	80.89	139.41	68.18	124.44	122.44	738,741	
Tuesday, September 1	81.15	140.13	68.52	123.00	122.14	533,870	
Wednesday, September 2	80.86	137.31	68.83	122.83	120.05	963,395	
Thursday, September 3	80.53	133.14	64.68	119.73	116.85	2,131,510	
Friday, September 4	80.35	132.62	64.68	118.14	116.44	1,194,802	
Saturday, September 5							
Monday, September 7	80.05	129.19					
Tuesday, September 8	79.85	123.43	61.73	115.30	113.27	2,025,960	
Wednesday, September 9	79.85	127.30	60.19	114.66	111.77	2,024,010	
Thursday, September 10	79.41	123.23	60.91	113.49	110.73	1,513,850	
Friday, September 11	79.41	123.23	60.91	113.49	109.44	1,974,370	
Saturday, September 12	79.18	123.85	59.44	112.57	109.35	761,235	

HOLIDAY EXCHANGE CLOSED

Over-the-Counter

IMPORTANT ISSUES Quotations as of Recent Date

	Bid	Asked		Bid	Asked
Alpha Port. Cement Pfd. (7)....	105	120	Hudson River Nav.	¾	3
American Book Co. (7).....	80	85	Do Pfd. ....	..	35
Amer. Dist. Teleg. (4).....	80	85	Langston Mono. (7½).....	86	89
Do Pfd. (7)	111½	113¾	Morck Co. Pfd. (8).....	69	75
Amer. Manufacturing (8)	80	87	Metropolitan Chain Stores Pfd....	..	7
Do Pfd. (8)	40	50	Murphy (G. O.) Pfd. (8).....	95	110
Amer. Meter Co. (3).....	38	42	Nat. Casket (4)	72	77
Babcock & Wilcox (7).....	88	95	Do Pfd. (7)	107½	109½
Bliss (E. W.) Co., 1st Pfd. (4)...	9	60	New Eng. Tel. & Tel. (8).....	142	145
Cl. B Pfd. (.60)	9	..	Newberry (J. J.) Pfd. (7).....	93	98
Bohac (H. C.) Co., 1st Pfd. (7)...	100	103	Remington Arms 1st Pfd. (7)....	75	80
Bon Ami, B (3).....	30	38	Roxy Theatre	%	1½
Colt Fire Arms (1¼)	14	16	Savannah Sugar (8)	57	63
Carnation Co. (1¼)	21	24	Do Pfd. (7)	35	36
Do Pfd. (7)	102¾	..	Safety Car L. & H. (4).....	30	40
Cleveland El. Illum. Pfd. (6)....	112½	114¾	Singer Mfg. Co. (18).....	230	240
Congoleum Co. Pfd. (7).....	100	..	Standard Screw (8)	60	70
Clinchfield Coal	2½	8	Stetson (J. B.) Co.	14	18
Do Pfd.	65	75	Do Pfd. (2)	19	23
Crowell Publishing (3).....	87	61	United Porto Rican	4	14
Do Pfd. (7)	104	109	Do Pfd.	9	14
Detroit & Canada Tunnel.....	%	%	Wash. Ry. & Elec. (7)	450	..
Dixon (Jos.) Crucible (8).....	110	120	Do Pfd. (5)	98	100
Dry Ice Holding	80	30	Welch Grape Juice (2½).....	99	48
Fajardo Sugar	28	31	Do Pfd. (7)	99	103
Franklin Bwy. Sup. (4) .....	..	48	West Va. Pulp & Paper (1.60)...	26	28
Gt. Atl. & Pac. Tea Pfd. (7)....	118	122	Do Pfd. (6)	94½	97½
Herring-Hall Safe	30	40	White Rock 2nd Pfd. (30).....	185	..
Howe Scale	4	7	1st Pfd. (7)	102	..
Do Pfd.	36	29	Woodward Iron	12	16

saying is, but General Foods tackled the problem and worked it out. That, too, was business pioneering.

Then there is the gradual return of "Vodvil" to the R. K. O. theaters; the one-man theater using Trans-lux films; and so on—all of them indicative of the intensive thought given to the problem of reestablishing individual businesses upon firm, profit-making foundations, a process that is certain to contribute greatly to the rehabilitation of the entire business body.

Air Reduction

(Continued from page 723)

on the directorate of "Alcohol."

The profit alone on this one investment would have exceeded by 25% the entire net profit of Air Reduction in any one year since the investment was made, besides obviating the setting up of reserves to take care of its depreciation in value. There is a tendency in security circles to pass carelessly over the "UD" incident as being of minor importance, involving only the loss of dividend and requiring the setting up of a depreciation reserve out of earnings. As suggested, there may be a very reasonable business explanation for the investment. Close relations between the two organizations and interests affiliated with each may be highly desirable and eventually of great profit.

In spite of the fact that the management has not taken the stockholders wholly into its confidence as to the Industrial Alcohol investment, the long record of successful business conduct and conservatively managed expansion of Air Reduction allows the mind to rest easily upon the conclusion that in longer retrospect it will prove to have been good business. After all, the future of Air Reduction does not appear to rest in any way upon this individual item in the company's balance sheet. Alcohol, it is more than probable, has registered its maximum of paper depreciation and Air Reduction, notwithstanding the deductions it has made for depreciation reserves, has come through the business depression thus far with no significant impairment of its ability to earn far in excess of its dividend requirements.

In the general rehabilitation of business that cannot lie far ahead it should have no difficulty in establishing its earning powers on a basis equal to its best periods in the past. Sustained improvement in the various industries it serves should enable the utilization of the many new production units it has added in the past two years. Pending conclusive evidence that this turn has taken place and that Air Reduction's business has commenced to reflect that recovery, the market value of the shares is unlikely to reflect more than current technical market irregularities. Holders of the stock would seemingly gain nothing by selling in expectation of being able to repurchase at suf-

ficiently lower levels to make the risk worth taking; while the business man investor to whose portfolio the issue is well adapted may well purchase it in periods of market weakness.

Bank Stocks for Long Pull Investments

(Continued from page 717)

ferring a large sum to special reserves, reported a small per share deficit for the first half of this year. Earnings for the whole of last year were equal to just over \$10 a share. The Manhattan Co. also set up large reserves as of June 30, 1931, but the per share earnings or deficiency on the company's stock is not definitely ascertainable. For the year 1930, the Manhattan Co. reported earnings equivalent to \$4.87 a share.

While earnings have undoubtedly declined in drastic fashion, the reduction in market price has been equally, if not more, sensational. Chase sold as high as \$180 a share as recently as 1930, while it is currently quoted around \$55; Guaranty at 86½, its present price being around 405; Central Hanover at 417 against a present level of 193; while the stock of the Manhattan Co. had a high of 156 in 1930, its present price being around 55. If one cares to take the high point of 1929 an even more precipitous and impressive decline can be shown.

It is not believed, however, that bank earning power affords any satisfactory indication of the particular institution's real position at this time or of its possibilities for the future. Neither should too much stress be put upon present dividend rates, for in those cases where the disbursement is not being earned a reduction must be considered an ever-present possibility. It is for this reason that we have not mentioned yield although recognizing that on this score bank stocks can now be bought upon a basis more favorable than is customary for these issues. The ratio of book value to price at this time is more advantageous to a purchaser than in years and it would seem that this is a better, albeit by no means final, factor on which to base commitments.

Perhaps the best guide of all is past performance and it seems almost superfluous to add that all four companies—Chase, Guaranty, Central Hanover and the Manhattan Co.—have excellent records, for their names are justly synonymous with strength, size and security. They have grown with the country. Indeed, they have contributed much to that growth. It is difficult, however, to illustrate their steady ex-

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them in numerical order. We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

"ODD LOT TRADING"

John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to large and small investors. (225).

THE BACHE REVIEW

A summary of the general financial and business situation, published every week by J. S. Bache & Co., 42 Broadway, New York. Sent on application. In writing please mention the Bache Review. (290).

"FOR INCOME BUILDERS"

describes a practical Partial Payment Plan, whereby Henry L. Doherty Cities Service common stock may be purchased through monthly payments. Build a permanent independent income through systematic investing. (318).

WHEN TO BUY AND WHEN TO SELL

The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

TRADING METHODS

The handbook on Trading Methods, issued by Chisholm & Chapman, contains much helpful information for traders. A copy will be sent to you upon request together with their latest Market letter. (785).

PARTIAL PAYMENT PLAN

An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. Descriptive booklet of plan sent on request. (813).

DO YOU SAVE REGULARLY?

Subscribe to the monthly installment shares of the Serial Building Loan & Savings Institute, a building and loan association operating under strict state supervision. Send today for descriptive literature. (835).

INVESTMENT PROFIT INSURANCE

The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

"A 33% BUSINESS INCREASE

In A So-Called Depression Year" is a booklet showing the accomplishment by Credit Service, Inc., of increasing business during the first six months of 1930, as compared with the first six months of 1929. (862).

"SOME FINANCIAL FACTS"

is the title of a booklet issued by Bell Telephone Securities Company, which will give you some interesting information on this giant public utility. Send for your complimentary copy. (875).

A SURE INCOME OF 5% TO 7%

is made possible by the building and loan method of operation in Colorado, where state supervision is maintained. Booklet 876 of Colorado's largest guaranty capital association tells why.

"A CHAIN OF SERVICE"

describes and illustrates the history and development of the Associated Gas and Electric System. A complimentary copy will be forwarded simply by requesting 884.

MARGIN REQUIREMENTS

McClave & Co., members New York Stock Exchange, will gladly forward a leaflet explaining margin requirements without obligation. (891).

COLUMBIA UNIVERSITY HOME STUDY COURSES

Whether you invest or advise about investments, know well the underlying principles of investment. Take a Columbia Home Study Course. Full information will be gladly furnished. (892).

INTERNATIONAL HYDRO-ELECTRIC SYSTEM

A new folder describes International Hydro-Electric System in detail, including photographs of important properties in the United States and Canada. Write today for 894.

ELECTRIC BOND AND SHARE COMPANY

Do you desire information or reports on companies identified with the Electric Bond and Share Company? Full information on any of them will be gladly furnished upon request. (898).

"Financial Independence at Fifty"

A BOOK which outlines successful plans for investment and semi-investment through which you may become financially independent without taking chances or depending upon luck. Shows how to budget your income; to finance a home; and the kind of insurance most profitable. It will tell you how to save and still get the most out of life as you go along.

231 pages. Illustrated with tables and charts, replete with examples and suggestions. Richly bound in imitation Morocco, dark blue flexible fabrikoid, lettered in impressed gold.

PARTIAL CONTENTS

Two Plans Suggested for Initial Accumulation.—The Preferred stocks.—Judging a Good Bond.—The Six Ages of Investment.—In-and-Out-of-Season Investments.—Insurance for Assurance.—The Expectation of Life.—Women's Sphere in Investments.—The Professions and Their Investments.—The Case of the Cautious Investor.—Assuming the Risk Involved.—Group Investment.—The Six Per Cent Bridge.—Plans for a Young Capitalist.—The Investor as a Scientific Borrower and Valued Customer.—The Answer to the Engineer of His Own Fortune.—Budgets and Savings Systems.—How to Create an Income Worth "Budgeting."

\$1.00 Postpaid

Only a Limited Quantity Available at This Special Price.

Mail Today

Sept. 19-A

The Magazine of Wall Street
42 Broadway, New York, N. Y.

Enclosed is \$1.00. Please send me a copy of "Financial Independence at Fifty."

Name

Address

City and State

☐ Please send me without obligation your descriptive book circular.

pansion by means of figures because mergers and side issues make such a picture unduly complicated. It suffices to say that their managements are of proven capabilities and when the present depression is dissipated—they will again continue increasingly prosperous.

The investor who acquires an equity in any one of them is making his commitment within a favorable range. He may not obtain the low, for it is possible that his purchase be adversely affected, albeit temporarily, by some further unsettlement in the general banking situation. It might even move lower in the event of dividend reductions. Such, declines, however, should be considered merely incidental in a long-term investment holding.

The investor must keep in mind that purchase of the shares of a great banking institution is in the nature of acquiring an interest in a safe and conservative enterprise which rather than offering attractive current yield holds prospect of greater ultimate reward through the price enhancement sure to follow the return of any reasonable degree of prosperity.

Oil Industry at the Crossroads

(Continued from page 705)

It was attacked by the Department of Justice not under the Sherman Law or the Clayton Act but specifically as a violation of the 1911 decree of dissolution. The lower courts upheld the merger and the Department of Justice abandoned the action without appeal to the Supreme Court.

Clearly, this does not fully test out the legal aspects of large oil combinations, whatever it may or may not indicate as to a change of attitude on the part of the present Washington Administration. It has been indicated that additional mergers would be examined on their own merits and it is quite possible there will be additional appeal to the courts before the various combinations now in negotiation are consummated. The movement has been given great impetus by the success of the Socony-Vacuum deal.

Largest and most important of the pending mergers is that of the Standard Oil Co. of California and the Standard Oil Co. of New Jersey, which would make a combination with resources substantially in excess of \$2,000,000,000. It is reported that there is some thought of eventually including Standard Oil of Indiana in the arrangement.

The advantages of merging Standard Oil of California and Standard Oil of New Jersey would include substantial economies in operation. The New

Jersey company would be re-inforced by the large domestic reserves of oil owned by the California company and the latter, in turn, would be strengthened by the Jersey company's better position in foreign production as well as in foreign distributing facilities. The two companies do not overlap or compete in domestic markets. This fact is perhaps the strongest argument for the legality of the proposed union.

The next most important merger, already agreed to by the respective companies, is the Sinclair-Prairie-Tide Water-Rio Grande amalgamation. Giving effect to the mergers, Standard Oil of New Jersey-Standard of California would have approximately 21 per cent of the refining capacity of the country; the Sinclair group, 8.31 per cent; Socony-Vacuum, 7.17 per cent; Standard of Indiana, 6.68 per cent; Shell, 6.29 per cent; Texas Co., 5.94 per cent; Gulf Oil, 5.56 per cent and Richfield, 3.24 per cent.

Also assuming pending mergers, will be consummated, it is estimated that seventeen companies own 80 per cent of the refining capacity of the country. Moreover, seven companies have approximately 60 per cent of the total. The local concentration in prospect is rather striking. Thus, the Standard Oil of Jersey-California combination would have approximately 41 per cent of the East Coast refining capacity, 36 per cent of that of the Gulf Coast and 35 per cent of that in California.

Results thus far indicate that the trend is definitely toward concentration of the most powerful interests in the industry in a limited number of large corporations. Whether there will ultimately be five or six giants or only two or three remains to be seen, with the final answer coming from the courts.

Both the more hopeful prospects for prorated production and the present movement toward better integrated combinations have restored some measure of confidence in oil securities. Stocks of the strongest companies probably have seen bottom—provided another breakdown of intelligent production control can be avoided.

Foreign Bonds Are Homeward Bound

(Continued from page 709)

year, however, worked directly contrary to the short term investment movement and international settlement needs of their countries and entailed a further drain upon the gold position of the countries involved and was made in the face of unfavorable exchange to which it contributed in no small degree.

American short term capital investments in other countries last year increased by 443 million dollars as compared with the previous year and this increase, of course, tended to counteract the drain on foreign gold stocks to meet the payments on these bonds and apparently accounted for about half of the necessary movement of funds in this direction. On the other hand there was a decrease of 245 million dollars in the amount of American securities bought back from foreigners as compared with the previous year so that the gold strain was increased rather than relieved from that source. Just how much the repatriation of foreign bonds was responsible for the increase in gold imports into the United States is, of course, problematical but the increase of nearly 400 million dollars in American credits on this account must have exerted a tremendous pull on gold in this direction. They certainly did nothing to aid in the redistribution of American gold stocks.

At all events it is evident that the movement had little if anything to do with the international movement of securities to adjust international balances which in normal years has far more to do with such adjustment than international movements of gold. Ordinarily slight differences in exchange or slight differences in prices of the same stocks on various markets sets arbitrage or other sales in motion to effect adjustment. The repurchase of their own securities by foreigners in the United States in the past sixteen months has been the result of sheer demand for the securities for investment or for sinking fund purposes.

The surprising feature of the repatriation of these foreign bonds is in the fact that it took place at a time when the countries concerned were supposed to be going to the dogs financially. There is always a considerable natural gravitation of foreign issues placed in the United States to the countries of their origin. Countries which, by reason of current financial or other conditions, find it necessary to borrow abroad are usually anxious to secure at least a portion of the issue abroad at the first favorable opportunity. Often the price at which a loan is issued abroad is but slightly better than is offered at home for the same issue with the result that when and if the price of the bonds falls in the country of issue the bonds are immediately bought up by domestic institutions.

In 1922, for example, the writer had occasion to follow the fortunes of two issues of bonds of the government of the Dutch East Indies totalling 100 million dollars. The bonds were issued in the United States at a slightly better price than was offered in Holland. Quotations for the bonds in New York

in a few weeks fell about 2 per cent with the result that within less than a year the bulk of the entire issue had been transferred to Holland. Weak bond prices in New York are almost always followed by an increase in the repatriation of foreign issues in this country even in the face of unfavorable bond conditions in the issuing countries. The increase in the repatriation movement in the past five years also has resulted from the reverse movement of foreign funds in the flight of capital from Europe immediately after the war and which stabilization of European currencies has made possible.

Loss Heavier Than Necessary

Making due allowance for all these facts, however, the repatriation movement in 1930 and so far the current year has been far above what might have been anticipated. It requires little analysis of the tendencies in international securities movements in the past few months to realize that European disposition to take bonds which the American market is disposed to reject has its genesis in the difference in the position of the two markets. In Europe the bond market is dominated preeminently by the idea of investment and there is comparatively less influence on the situation exercised by speculation either in bonds themselves or in the reaction of speculation on the money markets.

In the United States there has been a strong element of speculation in dealing in foreign bonds themselves while the mania for speculation in other securities has led to the sacrifice of foreign bond holdings. There is much truth in the accusation of foreign financiers that much of the depression in the foreign bond market in this country is due to the sacrifice of good foreign bonds to support highly speculative domestic issues. It is evident that there are a good many Americans who would rather have speculative home issues than foreign securities of at least fair merit and while current economic depression and political uncertainty abroad undoubtedly are the chief causes of the indisposition of American investors to absorb foreign bonds at the present time speculation in American securities is not without an important influence.

Accounting for much of the indisposition of American investors to accept foreign flotations in the past year or even to retain those they possess, also, is the fact that many foreign issues in 1926 to 1928 were bought in the United States at much higher rates than the essential qualities of the loans justified, this being particularly true of Latin American issues, and that the losses which have inevitably resulted

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate \$ per Share	— Earned \$ per Share —			Redeem- able	Recent Price	Yield %
		1928	1929	1930			
Norfolk & Western	4 (N)	133.73	122.20	122.50	No	91	4.4
Union Pacific	4 (N)	46.32	49.42	41.30	No	83	4.3
Atchafalaya, Top. & S. Fe.	5 (N)	40.21	49.13	30.03	No	104	4.8
N. Y., New Haven & Hart.	7 (O)	34.40	45.47	30.50	115	101	6.9
Baltimore & Ohio	4 (N)	49.44	48.87	36.46	No	57	7.0

Public Utilities

Amer. Lt. & Traction	1½ (O)	17.20	21.38	20.71	No	30	5.0
Public Service of New Jersey ..	8 (O)	520.92	19.04	24.44	No	157	5.1
Pacific Gas & Elec. Ist.	1½ (O)	4.24	4.57	5.25	No	29	5.2
So. California Edison "B"	1½ (O)	3.28	3.61	3.63	28%	28	5.4
Philadelphia Co.	3 (O)	20.68	27.58	26.27	No	55	5.5
North American Co.	3 (O)	40.22	47.48	47.51	55	55	5.5
North Amer. Edison	6 (O)	53.15	58.98	49.05	105	106	5.7
Columbia Gas & Electric "A" ..	6 (O)	30.78	33.95	26.86	110	102	5.9
Elec. Bond & Share	6 (O)	18.43	29.11	31.24	110	102	5.9
Buffalo, Niagara & Eastern Pr. ..	1.6 (O)	4.52	5.19	5.25	26%	27	5.9
United Light & Light	6 (O)	45.35	50.22	45.16	110	100	6.0
United Corp.	3 (O)	....	4.56	6.46	85	80	6.0
American Water Works & El.	6 (O)	31.05	39.11	44.22	110	99	6.1
United Light & Power Conv.	6 (O)	....	10.03	17.44	105	88	6.2
Standard Gas & Electric	4 (O)	14.07	20.39	20.95	No	57	7.0
Electric Power & Light	7 (O)	17.00	19.03	13.39	110	100	7.0
Engineers Publ. Serv. (w.w.) ..	5½ (O)	3.79	17.65	16.21	110	79	7.0
Federal Light & Traction	6 (O)	49.93	40.12	39.68	100	85	7.1

Industrials

Procter & Gamble (2nd)	5 (O)	185.59	151.75	178.16	115	112	4.5
du Pont (E. I.) de Nemours deb.	6 (O)	69.06	78.54	55.22	125	123	4.9
Hershey Conv.	15 (O)	16.25	21.36	24.24	No	102	4.9
Diamond Match	1.5 (O)	....	....	....	No	27	5.6
Allied Chem. & Dye	7 (O)	68.63	76.83	63.90	120	124	5.6
Stand. Brands, Inc., Cum. A.	7 (O)	123.40	125.41	111.03	120	122	5.7
Amer. Smelting & Refining	7 (O)	37.17	43.66	22.20	No	121	5.8
Brown Shoe	7 (O)	85.27	44.11	35.31	120	118	5.9
International Nickel	7 (O)	139.12	80.45	40.26	120(a)	119	5.9
Mathieson Alkali Works	7 (O)	84.50	93.91	84.68	No	117	6.0
General Cigar	7 (O)	62.81	85.92	64.03	No	117	6.0
Aluminum Co. of Amer.	6 (O)	14.04	17.19	7.93	110	99	6.1
General Mills	6 (O)	13.70	18.86	20.03	115	99	6.1
Commerc. Investm. Trust Ist. 6½ (C)	6½ (C)	45.50	81.92	90.87	110	104	6.3
Curtis Publishing	7 (O)	21.48	23.93	21.25	120	109	6.4
American Sugar	7 (O)	14.80	15.40	12.60	No	105	6.7
Bucyrus-Erie	7 (O)	39.34	45.34	35.72	120	103	6.8
Bethlehem Steel Corp.	7 (O)	19.16	42.24	23.84	No	102	6.9

C—Cumulative. N—Non-cumulative. \$ Earned on all pfd. stocks. † Guaranteed unconditionally by Bush Terminal Co. ‡ Regular rate, \$4. (a) After Feb. 1, 1934.

Coming Features of Importance

Politics Retarding Business Recovery

By THEODORE M. KNAPPEN

Is Russia Vindicating Communism?

By CHARLES BENEDICT

Stocks Which Are Benefited By Low Commodity Prices

Selected by THE MAGAZINE OF WALL STREET Staff

have naturally led to much of the timidity now shown by American investors. It is now generally agreed that most Latin American issues placed in the United States during the period of what was almost a mania in South and Central American inflation were never worth the prices at which they were originally sold.

On the other hand many of them are worth more than the prices at which they can now be had. That European and other foreign investors were reluctant to participate heavily in the original financing but are now willing to take such bonds off American hands is indicative of this condition and give some ground for the oft repeated accusation of foreign financiers that American investment bankers and their clients are not sufficiently experienced in foreign financing to make a success of the business. Losses in bonds as in other investments are more or less inevitable in periods of depression but in the present depression American investors have allowed themselves to take losses which have been unnecessarily heavy. Further sacrifices should be avoided. The "back home" movement of foreign bonds greatly decreases the danger of permanent defaults.

United Light & Power "A"

(Continued from page 715)

of \$5,320,272 which was charged against replacement reserve. Thus, the company set aside for replacements out of 1930 earnings \$3,138,540 more than the actual write-offs, equivalent to \$1.14 a share on the common stock.

Plowing Back Into Properties

This excess amount set aside for replacements is plowed back into the properties and increases the asset value of the common stock. Additional values are put in back of the equity stock, moreover, through keeping a large part of the earnings accruing to it in the company by virtue of the conservative dividend policy followed by the management. In 1930, the surplus remaining after payment of common dividends amounted to \$4,226,520. Finally, \$1,087,309 was set aside in 1930 for amortization which likewise was used for this purpose. All told, a total net amount of \$8,452,369 was plowed back into the properties out of earnings during 1930, equal to \$2.47 per share on the common stock.

United Light & Power has two classes of common shares, identical in every respect except that the class "A"

shares are non-voting, while the class "B" shares possess the voting power. Both classes are listed on the New York Curb Exchange. From the standpoint of the average security purchaser the class "A" shares are the more desirable because they sell minus the large premium which the class "B" shares command by virtue of their voting power. At the recent price for the "A" shares of 17, they are selling for about 11 times the most recent earnings per share, a conservative level for a utility equity of the caliber of United Light. Paying a dividend of \$1 per annum, the stock returns a yield of 5.9%. The dividend is being covered by a fair margin even at present reduced earnings level, but the earnings are reinforced by the liberal maintenance and reserve policy of the management.

Trade Tendencies

(Continued from page 730)

close to the low point. Unfortunately it is impossible to say the same of the fertilizer division. Here, the outlook goes from poor to worse with declining cotton prices, for the greater part of the tonnage is sold in the South and there must inevitably be less acreage planted next spring.

MERCHANDISING

Chains Make Good Showing

Up to now chain store tonnage sales have increased materially over the comparative period of 1930, partly perhaps because of successive reductions in selling prices. The greater tonnage at lower prices appears to have kept earnings on an even keel, for profits, especially in the case of the larger chains, have been sustained at levels about equal to last year's, and certain of the more favorably situated organizations have even exceeded their 1930 income. Merchandise chains retailing medium priced articles have done particularly well, for in this branch of the trade selling prices are relatively stable so that the greater volume of business has tended to increase earnings. Chain grocery stores have felt the affects of the steady decline in food prices, although administrative economies linked to a faster inventory turnover have done much to reduce inevitable write-offs. With stabilization of commodity prices such concerns should show marked improvement. Unable to meet the inroads into their business by managerial

skill, and partly because of lack of facilities, independent stores affected by chain expansion have had recourse to political pressure. A veritable nationwide campaign for discriminatory taxation has been launched following the Indiana case last spring. Among other states toying with similar ideas are Florida, Alabama, California and Wisconsin. It is difficult to judge the temporary effect which such legislation might have upon the chain stores but anything as discriminatory and uneconomic as the proposed taxation can hardly enjoy permanent success.

Does Business Wait on Banking Courage?

(Continued from page 702)

sational as they seem. While one bank out of every eighteen failed last year, the insolvent institutions had only 3 per cent of the banking resources of the country, nor was even this 3 per cent a total loss. Yet it is cold comfort to say that 97 per cent of the banking deposits of the country are safe, for the simple fact is that the minority of failures exercise a psychological influence out of all proportion to their actual importance.

Two-Sided Conservatism

Many explanations of business stagnation have been advanced. None is of more vital, practical, immediate importance than bank failures. The failure of any bank of substantial size throws a paralyzing chill over its community. How are depositors of neighboring banks to know they are sound? Not knowing, can they be blamed for the cautious urge to extract \$1,000 in bank notes and put it in a safety deposit box?

And how is a sound, conservative, solvent bank to know that its depositors will not some day come running for their money, due to the hysterical fear unleashed among them by the failure of a wholly unrelated bank? The bulk of the money in a bank's keeping does not belong to it, but to its depositors. Its utilization in loans or investments must be determined with regard to the exigencies of withdrawal. That contingencies must be guarded against to an abnormal degree is evident not only in failures of the weaker banks but in continued hoarding of currency. The amount so hoarded is estimated at fully \$800,000,000 at the present time.

A bank's refusal to invest in second-grade bonds is no evidence either that the bonds are unsound or that depression will continue indefinitely. At

(Please turn to page 750)

"Tips" on Books

Book Review Section of The Magazine of Wall Street

WASHINGTON MERRY-GO-ROUND

ANONYMOUS

Horace Liveright, Inc.

FOR the small town gossip who is in search of bigger game, this product of an anonymous author should prove a find. But the more intelligent reader who is himself not averse to a few choice morsels, will soon find his appetite palled by the overwhelming mass of malicious material.

For a couple of chapters the author rambles along rather gaily, retailing petty gossip for what it is worth, but, when his glance lights upon Herbert Hoover, his gorge rises and his eyes are blinded to any suggestion of good in the man. No one could be quite so black as Mr. Hoover is painted. Evidently the presidential heel must at some time have ground quite heavily on the toes of Mr. Anonymous to bring forth such a diatribe.

On the whole it might be said that he is a much better gossip than an apaiser of men. His style is forceful, his sense of the ridiculous acute, and his desire to show up the foibles of his characters evidently sincere, but his personal prejudices are always to the fore and he unqualifiedly states his opinions as facts. If the book truly mirrors the author, he is an out-and-out anti-Republican. The Insurgents are his favorites, and Senator Norris his particular pet. He is hypercritical of Dwight Morrow's entire career on the basis of his few months' service in the Senate. On Secretary Stimson and Ambassador Dawes he attempts to take a judicial point of view, but finds it hard. For Secretary Mellon he has no use at all and even questions his right to be classed as a great business man. To illustrate his point that Mr. Mellon has at last been found out, he states that when Congressman Treadway called him "the greatest Secretary of the Treasury since Alexander Hamilton," the House of Representatives "leaned back and roared in derision." One wonders if the opinion of the House is exactly a criterion. Only a little further on, the author himself heads his chapter dealing with it, "The Monkey House." But then, consistency is not his strong point.

Admittedly much of his material is true, but one questions the need for its printing. However, it is in line with the series of "de-bunking" litera-

ture that has come our way these last few years. If you want to judge for yourself one of the most discussed books of the season, read it—but don't take it too seriously. M. S. D.

MAYOR HARDING OF NEW YORK

By STEPHEN ENDICOTT

The Mohawk Press

THE publishers of this book mention on the jacket that the work is fiction, the characters imaginary, and that no living person would be justified in claiming that his acts have been reported in its pages. We shall see.

The tale opens shortly after the murder of one Rosenberg, a gambler, who was known to have a little list of his debtors, including Mayor Harding and half a dozen prominent jurists.

The Mayor is characterized as a slim, narrow-shouldered, well-kept man of forty-five with an ingratiating personality and an ability to endear himself to the public by taking nothing seriously, accepting orders with docility, and wisecracking his way through luncheons and dinners. And there is Commissioner of Police Ollendorff, of military build and black moustache, who obtained his training as head of a huge interstate bus line (I almost said mercantile establishment). He personally attended installations of new traffic stations in top hat and Chesterfield, rushed to the scenes of serious accidents and sensational crimes, gave interviews at the drop of a hat (and hats dropped easily), and—took so much front-page publicity from the Mayor that he was replaced by a man from the ranks, one Cornelius Dolan. There is a justice who disappears and another, named Pasquale, who resigned. A stool pigeon, called Panama Gomez, who had framed women, both innocent and not so innocent, for the benefit of the Vice Squad, plays his little part. And there is an investigation into the affairs of the Bank of the Empire State, whose counsel was unfortunately arrayed against the Party. The Party got him.

The author has concocted a daring little skit from all the political scandal of the past eighteen months and has ended it in the only possible way.

Perhaps all the characters are fictional and the publishers were justified (Please turn to page 750)

Dividends and Interest



Peoples Gas Dividend

The Peoples Gas Light and Coke Company {of Chicago}

The Directors of The Peoples Gas Light and Coke Company have declared a quarterly dividend of two (2) per cent on the capital stock of this Company, being at the rate of eight (8) per cent per annum, payable out of the surplus earnings of the Company to stockholders of record at the close of business on the 3rd day of October, 1931, said dividend to be payable on the 17th day of October, 1931.

A. L. TOSSELL, Secretary.

SOUTHERN RAILWAY COMPANY

New York, September 10, 1931.

A dividend of one and one-quarter per cent (1¼%) on the preferred stock of Southern Railway Company has today been declared, out of net profits of the Company for the fiscal year 1930, payable October 15, 1931, to stockholders of record at the close of business September 21, 1931.

Cheques in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

C. E. A. MCCARTHY, Secretary.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

September 14th, 1931

THE Board of Directors has declared a quarterly dividend of 75c per share on the Common Stock of this Company, payable on the 30th day of September, 1931 to stockholders of record at the close of business on the 19th day of September, 1931. Checks will be mailed.

DAVID BERNSTEIN
Vice President & Treasurer

AIR REDUCTION CO., INC.

Lincoln Bldg., 60 East 42nd St., New York
September 9, 1931.

DIVIDEND NO. 58.

The Board of Directors of this Company has declared the regular quarterly dividend of \$.75 per share and an extra dividend of \$1.50 per share on the capital stock of the Company, payable October 15, 1931, to stockholders of record September 30, 1931. E. B. DAVIDSON, Secretary.

To the President of a
Dividend-Paying Corporation:—
Why you should publish your dividend
notices in The Magazine of Wall Street:—

You will reach the greatest number of potential stockholders of record at the time when they are perusing our magazine, seeking sound securities to add to their holdings.

By keeping them informed of your dividend action, you create the maximum amount of good will for your Company, which will result in wide diversification of your securities among these influential investors.

Place The Magazine of Wall Street on the list of publications carrying your next dividend notice!

sacrifice of profit, it invests in gilt-edged bonds of low yield because these are the closest equivalent to cash and can be immediately turned into cash if necessary.

Fear of contingencies tends to dominate the whole psychology of banking and inevitably spreads to some extent into the field of commercial credit. The watchword of American banking today is caution and liquidity. It will remain so as long as the public insistently demands liquidity and the public most assuredly will continue to demand liquidity until its confidence in the banking structure is restored.

There is probably no single, completely satisfactory remedy for bank failures and no ideal method of regulation. At the heart of the matter is character, judgment, experience and technical competence. These cannot be legislated into a banker. If he has them he will remain solvent, however lax the regulation to which he is subjected. If he lacks them, no amount of regulation seems able to save his institution.

A Dual System

There is a clamor for stricter regulatory laws and better enforcement of them. In some quarters there is strong criticism of our dual system of National and State banks, which is vigorously defended by the Economic Policy Commission of the American Bankers Association. Some critics assert that all banks should be forced to become members of the Federal Reserve System, as are all National banks.

In this connection it is fair to point out that out of 778 banks which failed in the first seven months of this year 613 were not members of the Reserve System. It is also fair to point out that for many years back failures of state banks and the total amount of deposits involved have substantially exceeded failures of national banks. It is equally fair to point out that, despite the establishment of the Reserve System in 1913, the vast number of banks which belong to it and the vast total of funds theoretically under its control, more banks have failed and with heavier liabilities in the last decade than ever before in the history of the country. Furthermore, the most disastrous bank failure in the history of the country—Bank of United States—was that of a member of the Federal Reserve System.

Doubtlessly various reforms of more or less merit will come out of the present agitation. To a substantial degree the needed correction already has been achieved in the elimination of thousands of weak and economically worthless banks. Hence the need of rigid regulation really is far less now than

it was two years ago. In any event the working out of means to minimize bank failures in the future will require time. Nothing that can be done in this direction is going to solve the existing problem. It is essentially a problem of credit stagnation, although we possess the yellow gold on which billions in credit could be safely based.

With or without sufficient cause, bankers are ever timid in time of stress. Banking does not lead business out of the valley of depression. It has to have its own fears removed first and its appetite for profits restored. Then it follows business with increasing courage, finally catching up to a point where it can offer a few shouts of encouragement.

There is only one positive force which can break the cycle and rebuild confidence. Utilization of the full power of the Federal Reserve System would do it. Purchase by the Reserve Banks of \$500,000,000 of Government bonds, forming a base from which as much as \$5,000,000,000 of credit could be pumped forcibly into the market, would do it.

This is inflation, of course, and a remedy that is not without hazards—but critical diseases often demand heroic remedies. As was amply proven by the experience of the years 1927-1929, the real danger is not in the application of inflation but in the failure to withdraw it promptly after the need has passed. To refuse it now is to decline to lift the patient out of bed for fear that he will again indulge his energies to ultimate excess.

Inflation—much hated word—has always been the remedy in times like these. We have no other remedy, although, to be sure, the fire will go out when the house burns down. We may argue pro and con and there may be grave doubts as to the proper time of application to get the best results, but eventually we will swallow a dose of inflation. Perhaps to make it taste better, let us call it credit expansion.

And if eventually, why not soon?

The Dynamite in the English Situation

(Continued from page 700)

was forced to its pre-war level in 1925. There is something to be said on both sides of the question for a depreciated exchange does in fact bring certain advantages. Apart from the very important factor of political prestige, the gold standard is necessary to England's commercial banking and brokerage business. Without a free market for the metal in London this very profitable

division of her activities would be severely curtailed. Here is a point which admits of no question, although it might logically be contended by the inflationists that the pound could be depreciated, then stabilized in a manner similar to the franc, thereby regaining a large part of the business lost during the period of transition. At any rate whatever the ultimate outcome it may be said that anything which hurts London's financial operations hurts us. We need her brokerage facilities unimpaired. New York for example, cramped with a tariff, could never hope to replace the old London in this regard. Incidentally, it is in the damage which would be done London as a commercial banker and broker that is so disquieting should the proposed tariff be put into effect.

On the other hand, from England's point of view, there are strong advantages to be derived from a depreciated exchange. Incidentally it might be pointed out that most of them would be disadvantageous to us in direct ratio. It acts as a tariff even in a free trade country. It would cut wages very much less painfully than the direct method, thereby permitting lower costs and greater competitive powers for hard hit export trades. It would wipe out part of her staggeringly large national debt, now the equivalent of about 38 billions of dollars. Finally, it might easily permit her to accumulate some much needed gold by means similar to those employed by France. On the other side of the ledger must be put the fact that a depreciated sterling exchange would also reduce those debts owed to her in sterling, although her profit sharing investments abroad would be unaffected. In addition, there is an apparent disadvantage in the fact that she would have to pay more in currency for the vast quantities of raw materials and foodstuffs which she is obliged to import. This, however, is not entirely valid, for her imports are really paid in exports and these of course would still command the world gold price.

Despite the fact that the Macmillan report is emphatically opposed to anything which would depreciate the British pound in terms of gold, one of its principal recommendations is that the Central Banks of the world should expand credit so as to raise commodity prices above their present levels and when this is achieved manipulate it so that the level remains more or less stable. Bluntly, they recommend the depreciation of gold, which in a number of ways would have a similar effect upon Great Britain as would the depreciation of sterling exchange. It would lighten the load of debt under which the country—and incidentally every other country—is staggering and would also tend to reduce

FINANCIAL NOTICES

Dividends and Interest

GENERAL MILLS, INC.



PREFERRED STOCK DIVIDEND

Directors of General Mills, Inc., announce declaration of the regular quarterly dividend of \$1.50 per share upon preferred stock of the company, payable October 1, 1931 to all preferred stockholders of record at the close of business September 14, 1931. Checks will be mailed. Transfer books will not be closed.

(Signed) D. D. DAVIS,
Vice-President.

Eventually
GOLD MEDAL FLOUR
why not now?

West Penn Power Company

NOTICE OF DIVIDENDS

The Board of Directors has declared quarterly dividend No. 63 of one and three-quarters per cent. (1 3/4%) upon the 7% Cumulative Preferred Stock, and quarterly dividend No. 24 of one and one-half per cent. (1 1/2%) upon the 6% Cumulative Preferred Stock of West Penn Power Company, for the quarter ending October 31, 1931, both payable on November 2, 1931, to stockholders of record at the close of business on October 5, 1931.

G. E. MURRIE, Secretary.

THE WESTERN UNION TELEGRAPH CO.

New York, Sept. 8th, 1931.

DIVIDEND NO. 250

A dividend of TWO PER CENT on the capital stock of this Company has been declared payable on the 15th day of October next, to stockholders of record at the close of business on the 25th day of September, 1931.

The transfer books will remain open.

G. K. HUNTINGTON, Treasurer.

THE ELECTRIC STORAGE BATTERY COMPANY

Allegheny Ave. and 19th St.,

Philadelphia, September 10, 1931.

The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of One Dollar (\$1.00) per share on the Common Stock and the Preferred Stock, payable October 1, 1931, to stockholders of record of both of these classes of stock at the close of business on September 21, 1931. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

The New York Central Railroad Co.

New York, September 9, 1931.

A Dividend of One Dollar (\$1.00) per share on the capital stock of this Company has been declared payable November 2, 1931, at the Office of the General Treasurer, to stockholders of record at the close of business October 2, 1931.

H. G. SNELLING, General Treasurer.

THE DETROIT EDISON COMPANY

60 Broadway, New York

September 10, 1931.

A quarterly dividend of Two Per Cent (\$2.00 per share) on the Capital Stock of the Company will be paid on October 15, 1931, to stockholders of record at the close of business on September 21, 1931. SAMUEL O. MUMFORD, Treasurer.

Dividends and Interest

AMERICAN WATER WORKS AND ELECTRIC COMPANY

INCORPORATED

(of Delaware)

NOTICE OF DIVIDEND

A regular quarterly dividend of seventy-five cents (75¢) a share, payable in cash, on the common stock of the Company, has been declared payable November 2, 1931 to common stockholders of record at the close of business on October 9, 1931.

The Company has been advised by the Voting Trustees that as to Common Stock deposited under the Voting Trust Agreement dated January 2, 1931, this dividend will be paid on November 2, 1931, to holders of Voting Trust Certificates of record at the close of business on October 9, 1931.

W. K. DUNBAR, Secretary

THE UNITED LIGHT AND POWER COMPANY

BANKERS BUILDING
CHICAGO, ILLINOIS

The Board of Directors of The United Light and Power Company has declared the following dividends on the stocks of the Company:

A quarterly dividend of \$1.50 a share on the \$6.00 Cumulative Convertible First Preferred Stock, payable October 1, 1931, to stockholders of record at the close of business on September 15, 1931.

A dividend of 25¢ a share on Class "A" and Class "B" Common Stocks, payable November 2, 1931, to stockholders of record at the close of business on October 15, 1931.

Stock transfer books will not be closed.

L. H. HEINKE, Secretary.

Chicago, September 1, 1931.

A.C.F.

AMERICAN CAR AND FOUNDRY COMPANY

PREFERRED DIVIDEND No. 130 COMMON DIVIDEND No. 116

There have been this day declared a dividend of one and three-quarters percent (1 3/4%) on the Preferred Stock and a dividend of Twenty-five Cents (25¢) per share on the Common Stock without par value, of this Company, payable Thursday, October 1, 1931, to stockholders of record at the close of business Friday, September 18, 1931.

Checks will be mailed to stockholders by the Guaranty Trust Company of New York.

G. R. SCANLAND, Vice-President

H. C. WICK, Secretary

New York, September 9, 1931.

The West Penn Electric Company

NOTICE OF DIVIDEND

The Board of Directors has declared a dividend of \$1.75 per share upon the Class A Stock of The West Penn Electric Company, for the quarter ending September 30, 1931, payable on September 30, 1931, to stockholders of record at the close of business on September 17, 1931.

G. E. MURRIE, Secretary.

Dividends and Interest

Public Service Corporation of New Jersey

Dividend No. 97 on Common Stock

Dividend No. 51 on 8% Cumulative Preferred Stock

Dividend No. 35 on 7% Cumulative Preferred Stock

Dividend No. 13 on \$5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being \$2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being \$1.75 per share; at the rate of \$5.00 per annum on the non par value Cumulative Preferred Stock, being \$1.25 per share, and 85 cents per share on the non par value Common Stock for the quarter ending September 30, 1931. All dividends are payable September 30, 1931, to stockholders of record at the close of business, September 1, 1931.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer.

Public Service Electric and Gas Company

Dividend No. 29 on 7% Cumulative Preferred Stock

Dividend No. 1 on \$5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and \$5.00 Preferred Stock of that Company. Dividends are payable September 30, 1931, to stockholders of record at the close of business September 2, 1931.

T. W. Van Middlesworth, Treasurer.

The American Corporation

Grand Rapids National Bank Bldg.
Grand Rapids, Michigan

DIVIDEND NOTICE

The Board of Directors of The American Corporation has declared a dividend of 15¢ a share, payable by check on October 1, 1931 to all Common Stockholders of record at the close of business September 21, 1931.

Stock transfer books will not be closed.

H. M. PLEUNE, Treasurer.

Grand Rapids, September 10, 1931.

Endicott Johnson Corporation Dividend No. 50

The Board of Directors has declared a quarterly Preferred Dividend of One Dollar Seventy-Five Cents (\$1.75) per share, and a Common Dividend of Seventy-Five Cents (\$.75) per share, payable October 1, 1931, to stockholders of record, as at the close of business, September 19, 1931.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

MAURICE E. PAGE, Secretary.

September 8, 1931.

SEPTEMBER 19, 1931

real wages in a more or less painless manner. Furthermore, while the interest paid to England would be worth less, the greater prosperity of the countries remitting would expand her foreign trade and in the case of those countries which have been obliged to default on account of low commodity prices, interest payments would be resumed and she would receive something whereas at the present time she is getting nothing at all. In addition, the depreciation of gold in terms of commodities would make England's vast interests in the production of raw materials more valuable. Her tea, coffee and rubber plantations would again be prosperous as would a thousand other activities in which her nationals and her money are engaged. Finally, the scheme would not upset either her prestige or her banking and brokerage operations.

From England's point of view, and that of the world too, perhaps, the moderate raising of commodity prices might well prove beneficial, never forgetting, however, that the long term trend of commodity prices should rightly be downward as greater productive efficiency makes man's burden of maintaining himself steadily less. We would probably subscribe to the plan in theory. The same may be said of France. But even so, a harmonious working agreement between the three countries, all of which would have to take into consideration their own special situations, presents staggering difficulties.

The fundamental trouble with the world today, however, lies not so much in the actual difficulties which are being encountered, but in the fact that these difficulties are not being squarely faced. England is not facing hers. We are not facing our own, to say nothing of the failure to take permanent steps to combat those which will undoubtedly be added should England persist in her present policy of bankrupting herself.

Nevertheless inasmuch as we participated in relieving the England crisis, it would seem that progress has been made in a lesson which eventually must be learned. Whether we like it or not, the fact remains that we are caught in "foreign entanglements." We cannot escape the situation. At one time perhaps the United States might have lived in "splendid isolation," sufficient unto herself politically and economically. But this chance has long since gone. The moment she sold to a foreigner, the moment she bought from a foreigner and the moment she entered into financial transactions with a foreigner, it became farcical to talk of complete independence. The present depression proves it. The fact that we had to lend England 325 million dollars proves it.

"Tips" on Books

(Continued from page 747)

in their statements, but if you want to amuse yourself on some humid evening, read *Mayor Harding of New York* and see how many characters are recalled to mind from your daily newspaper reading of the past year.

W. F. D.

YOO HOO PROSPERITY!

By

EDDIE CANTOR AND DAVID FREEDMAN
Simon & Schuster, Inc.

EDDIE CANTOR, pursuing his studies in the fields of business and finance, has offered his own plan for the return of prosperity. In theory, it is very simple—all that needs to be done is to sell bananas instead of apples. "The minute you peel a banana things start to happen. Somebody slips on the peel and soils his trousers. That makes business for the cleaner. The cleaner buys more benzine; the output of benzine increases. More people are engaged to extract benzine, to pack it, ship it, and deliver it. Larger deliveries create a demand for more motor trucks, and automobile companies start turning them out by the thousands! Meantime the man eats another banana, slips again and before he knows it his pants are torn. That brings in the clothiers, the clothiers bring in their relatives, their relatives

start getting married, and the furniture business picks up."

One can easily see that by the time the man slips a third time, practically all business has been affected.

While this is the heart of Mr. Cantor's plan, it is by no means all of it. He has substitute plans as well, and his comments accompanying them are well worth the reading. M. S. D.

Correction

In the August 22nd issue, through a typographical error, the earnings of the Bush Terminal Co. for the year 1930 were given as \$2.35 instead of \$3.35 and the earnings for the first six months of 1931 were quoted as \$1.66 whereas \$1.76 is the correct figure.

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate	Amount Declared	Stock Pay- Record able
\$3.00 Air Reduction, Inc.....	\$.75	Q 9-30 10-15
— Air Reduction, Inc.....	1.50	Ext 9-30 10-15
4.00 Auburn Automobile.....	1.00	Q 9-19 10-1
5th Auburn Automobile.....	2%	Q 9-19 10-1
3.00 Chicago Yellow Cab.....	.25	M 9-21 10-1
4.00 Curtis Publishing.....	.33½	M 9-19 10-2
3.00 Endicott-Johnson.....	.75	Q 9-19 10-1
2.50 First National Stores.....	.62½	Q 9-19 10-1
1.00 General Electric Co.....	.40	Q 10-2 10-24
.60 General Electric Co. (Special Stock).....	.15	Q 10-2 10-24
6.00 Homestake Mining.....	.50	M 9-19 9-25
— Homestake Mining.....	1.00	Ext 9-19 9-25
6.00 Intern'l Business Mch.....	1.50	Q 9-22 10-10
2.50 Internat'l Harvester.....	.62½	Q 9-19 10-15
4.00 International Match.....	1.00	Q 9-25 10-15
4.00 Jewel Tea.....	1.00	Q 10-1 10-15
3.00 Johns-Manville.....	.75	C 9-24 10-15
7.00 Montgomery, Ward & Co. "A".....	1.75	Q 9-20 10-1
2.40 Penney (J. C.).....	.60	Q 9-19 9-30
1.00 Shattuck, Frank G.....	.25	Q 9-19 10-19
2.00 U. S. Pipe & Foundry.....	.50	Q 9-30 10-20

In the Next Issue

1. The Next Major Market Movement

An Upturn in Anticipation of Better Business or Continued Weakness?

By A. T. MILLER

2. A Challenge to High Prices

Coming Prosperity Will Depend on the Development and Retention of New Markets.

Important Changes Must Take Place in Our Basic Production.

No Business Man or Investor Can Afford to Miss This Significant Discussion.

By CHARLES BENEDICT

3. Companies That Will Profit By Fall Business

and Whose Favorable Position Will Find Reflection in the Value of Their Stocks.

4. If Rubber Goes Native?

How Will the Securities of Rubber Manufacturers Be Affected?

By J. C. CLIFFORD

A Complete Financial Library in 11 Volumes

THESE standard books published by THE MAGAZINE OF WALL STREET cover every phase of modern security trading and investing. Written in a concise, easily understandable, manner they give you the result of years of research and successful market operation—the foremost tried and proven methods and the important fundamental principles which you can apply to your individual needs.

Library of Trading and Investment Fundamentals

(No. 1) Fourteen Methods of Operating in the Stock Market

Presents in detail the actual methods used by some of the most successful forecasters of market conditions showing the factors that, in their opinion, cause a rise or decline in security values.

(No. 2) You and Your Broker

Discusses every phase of the relationship between your broker and yourself. Describes what you should watch in entering an order, in checking statements and in attending to routine matters on your account.

(No. 3) When to Sell to Assure Profits

Goes into detail concerning the fundamental factors that affect security values. Covers explicitly the important principle neglected by many investors (who too often are only good buyers) "When to Sell to Assure Profits."

(No. 4) Studies in Stock Speculation

Contains the ten Cardinal Trading Principles that you must employ if you are to make consistent profits in your market operations. Provides you with a complete knowledge of stock market technique.

(No. 5) The Proper Time to Buy Low-Priced Securities for Big Profits

Especially adaptable to current market conditions. Tells how to detect buying points in short swings and in individual stocks, when and what to buy for quick profits, buying securities for speculation, etc.

Famous Set by John Durand

(No. 6) The New Technique of Uncovering Security Bargains

Describes specifically the different methods necessary for selecting profitable investments in leading industries devoted

ing space to each industry. Goes fully into sound fundamental factors upon which real intrinsic value is founded.

(No. 7) How to Secure Continuous Security Profits in Modern Markets

Will be especially appreciated by every businessman, investor and trader—for it contains the principles upon which the experts of The Magazine of Wall Street base their judgment in the selection of securities.

The Businessman-Investor's Library

(No. 8) Financial Independence at Fifty

Outlines successful plans for investment and semi-investment through which you may become financially independent. Shows how to budget your income: to save; the kind of insurance most profitable, etc.

(No. 9) Necessary Business Economics for Successful Investment

Sets forth the significance of supply and demand, the effect of good and bad crops, the ebb and flow of credit and similar factors which should help you to recognize and take advantage of the trend.

(No. 10) Cardinal Investment Principles upon which Profits Depend

Tells how to put your financial house in order—how to make your plan and carry it out after it is made. Bridges many danger spots which otherwise could be avoided only through costly experience.

(No. 11) The Investor's Dictionary

487 words and expressions clearly defined. Includes every word or phrase used in security transactions. Gives reproductions of all the ordinary documents used in buying and selling stocks and bonds.

The entire 11 books are uniform in size and style, profusely illustrated with charts, graphs and tables, replete with practical examples and suggestions. They are all richly bound in dark blue flexible fabrikoid, lettered in gold, and will make a handsome addition to any library.

Individual Price of
Each Book . . . \$2.25
When Sets of 2 or
More Books Are
Ordered. Each . . \$1.50

Special Offer
Complete Library of
Entire 11 Books. \$15

CLIP OUT AND MAIL THIS COUPON TODAY

THE MAGAZINE OF WALL STREET,
42 Broadway, New York, N. Y.

September 19, 1931

All orders outside of the Continental U. S. A.
must be accompanied by full remittance.

PLEASE send me your Complete Library of 11 Standard
Books on Security Trading and Investing.

☐ \$15 Enclosed. ☐ C. O. D. \$15.

PLEASE send me books as listed above: Nos. 1-2-3-4-5-6-
7-8-9-10-11. (Simply check books desired, remitting \$2.25
if only one is ordered, or \$1.50 each if sets of two or more
books are ordered.)

☐ \$..... Enclosed. ☐ C. O. D. \$.....

Name City
Address State

☐ Please mail me, without obligation, your descriptive book circular.

To smokers who are **HARD-TO-CONVINCE**

We like nothing better than to induce a hard-to-convince smoker to switch to Camels for just one day.

For we know that after he has made a real test, it will be mighty hard to lure him away from this famous brand. It's not easy to smoke parched-dry cigarettes once you have known the delights of perfectly conditioned Camels.

After inhaling the cool, soft fragrance of the Camel blend of choice Turkish and mellow Domestic tobaccos protected by the Humidor Pack, your throat protests against the bite and sting and harsh hot-

ness that comes from crumbly, dry tobacco.

No matter where you pick them up, in any land, in any climate, Camels are the same fresh, factory-prime cigarettes.

For the Humidor Pack of moisture-proof Cellophane air-seals all the flavor in and keeps out weather, dust and germs.

This is no mere advertising story. It is a recitation of fact that has made the whole country conscious of a new superiority in Camels.

If you are hard to convince, won't you switch to Camels for just one day? Then leave them —if you can.



- Don't remove the moisture-proof Cellophane from your package of Camels after you open it. The Humidor Pack is protection against sweat, dust and germs. It delivers fresh Camels and keeps them right until you smoke the last one

© 1931, R. J. Reynolds Tobacco Company, Winston-Salem, N. C.

CAMELS

NO CIGARETTE AFTER-TASTE



acco.
any
fresh,

proof
keeps

reci-
untry

witch
them

S
TE